



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

January 19, 2017

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

Subject: Phase I Bond Release Final Approval, Coal Hollow Mine, C/025/0005, Alton Coal Development, LLC, Task ID #5306

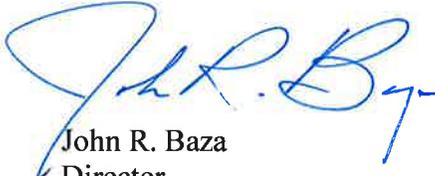
Dear Mr. Nicholes:

The Division finds Alton Coal Development, LLC has met the regulatory requirements for Phase I bond release of BRP 1-9, and BRP 1-10 (locations as shown on Figure 1 and Figure 2 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 \$2,985,984 for 21.288 acres, effective January 18, 2017. No actual bond money is being released with this action as it will be applied to future disturbance. The Division continues to hold bond in the amount of \$12,750,000 to ensure the remainder of the reclamation work.

Clean copies of your application are being returned to you for incorporation into the approved Mining and Reclamation Plan. If you have any questions or need further information, please call Daron Haddock at (801) 538-5325.

Sincerely,



John R. Baza
Director

DRH/SKC/ss

Enclosures

cc: Robert Nead, Alton Coal Development, LLC

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Phase I Bond Release on 21.288 acres
Alton Coal Development, LLC
Coal Hollow Mine
C/025/0005
Kane County, Utah

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DECISION DOCUMENT

Phase I Bond Release on 21.288 acres
Alton Coal Development, LLC
Coal Hollow Mine
C/025/0005
Kane County, Utah

ACTION

Phase I bond release is requested for 21.288 acres within the disturbed area boundary at Coal Hollow Mine. A reduction in bond liability in the amount of \$2,985.984 is requested, which is the amount associated with backfilling and grading areas labeled as BRP-9 and BRP-10 in the application. The current bond for Coal Hollow Mine will remain at \$12,750,000 as the released amount will be applied to future disturbance.

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. As this is a surface mine, the reclamation is occurring concurrent with the development of the pits. The bond is being rolled-over to allow for ongoing development as the mined-out pits are being reclaimed.

CHRONOLOGY FOR PHASE III BOND RELEASE

November 3, 2016	The Division receives the Phase I Bond Release application
November 8, 2016	The Division approves the newspaper notice for publication
November 8, 2016	The Division sends letters of invitation for the bond release inspection to be held November 30, 2016
November 10, 17, 23, & December 1, 2016	Phase I Bond Release Published in the Southern Utah News
November 30, 2016	Phase I bond release inspection.
December 12, 2016	Additional soils information requested
December 15, 2016	Received the requested information
December 31, 2016	Comment period ends. No comments received.
January 5, 2017	Division conditionally approves the Phase I bond release
January 18, 2017	Division receives information to address soils issues
January 19, 2017	Division gives final approval of Phase I bond release

SUMMARY OF FINDINGS

The Phase I bond release was advertised for four consecutive weeks. No comments were received. A bond release inspection was conducted on November 30, 2016. A few issues associated with soil placement were identified. Additional information was requested in order to complete the application. That information was submitted and the application is complete. 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 \$2,985,984 for the disturbance in the 21.288 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 \$11,816,451.



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

January 18, 2017

PID: C0250005
TaskID: 5306
Mine Name: COAL HOLLOW
Title: PHASE I BOND RELEASE

Summary

Analysis:
 The Coal Hollow Mine bond release applies to 9.075 acres (above HWT 2) within the South Private Lease, identified as BRP1-9 and 12.213 acres above Pits 1-3 in the North Lease, identified as BRP1-10. Figures 1 and 2 show the location of the bond release areas. Figures 1-A, 1B and 2-A detail the final topography.

Deficiencies Details:

pburton

On November 29, 2016, the Utah Division of Oil Gas & Mining conducted a site visit to assess the bond release application for to the Mining & Reclamation Plan (MRP) of the Coal Hollow Mine. The application seeks release of 21.29 acres (BRP1-9 and BRP1-10) of Phase I bond release for a bond reduction of \$2,985,984. The Division's initial inspection report can be found on file under Inspection Report #5711. However, due to poor weather at the site Division staff were unable to completely walk the bond release perimeters, therefore, the Division conducted a second inspection on December 7, 2016 to field verify the bond release areas. The results of the second inspection, including a detail map of the survey stakes showing the bond release area, can be seen on file under Inspection Report #5271

This analysis addresses the application's compliance with the engineering (R645-301-500) and bonding (R645-301-800) sections of the Utah Coal Mining Rules. The bond release application meets the minimum requirements of R645-301-500 and -800 by presenting the mine plan details, plates, and drawings presented within the bond release application. The minimum required posted bond for the Coal Hollow mine to \$9,594,000 while Alton Coal Company currently maintains a bond of \$12,750,000 with the Division. The Permittee will not reduce the held bond amount at this point as it will apply contemporaneous mining reclamation and operations in the North and South Private leases.

Deficiencies Details:

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General Contents

Public Notice and Comment

Analysis:

Analysis:

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 November 7, 2016, the Division advised the Permittee to place a public notice.

On November 7, 2016, the Division sent an invitation to local, state and federal agencies and landowners requesting their attendance at the bond release inspection on November 29, 2016.

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 November 10, 2016 and ending on December 1, 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 December 31, 2016.

pburton

Environmental Resource Information

Maps Existing Surface Configuration

Analysis:

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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 pre mining surface and the reclamation surface. Figures 1-B and 2-A show either the fill above or the void below the original contour of the final reclamation surface for two cross section cuts through each of the respective bond release areas.

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Reclamation Plan

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 1A and 2 provide the location of cross-sections through the bond release areas BRP1-9 (9.0 acres, South lease) and BRP1-10 (12 acres, North lease), respectively. Cross sections are shown on Figure 1-B and Figure 2-A.

In August 2016, excess fill above Pit 2 was surveyed to be approximately 7-8 feet and was being pushed into the North end of Pit 3 (Insp. Rpt. #5606). After placement of subsoil, the BRP1-10 cross sections (Fig 2A) show the land is still 7 feet higher than original contour over most of Pits 1, 2, & 3. At cross section B-B', the outslope of BRP1-10 is 350 feet long with a rise of 30 feet over that distance, which is a grade of 8%. The end of this slope drops steeply off into Pond 5. During the bond inspection, a berm was observed at the break in this fill slope.

Pond 5 is 25 feet deep x 150 ft long x 50 ft wide at its deepest point. It will remain until final reclamation. Pond 5 will require 7,900 CY to fill. Bond calculations show that most of the Pond 5 backfill will come from the subsoil pile. However, all the subsoil is dedicated to the surface, therefore the bond calculations should factor in approximately 5,000 CY additional spoil required to backfill Pond 5.

In the South lease, BRP1-9, Figure 1A shows cross section locations for the land above HWT 2B and HWT 3B (subsections of HWT 2). The cross sections show that the land has a gentle slope from North to South over a length of 600 feet (within this bond release polygon). The grade from North to South is 1.6%. The land also slopes gently from East to West for 400 ft with a grade of 0.7%, until a low spot at cross section 2+30. At this location overfill of five feet changes the direction of the slope to West to East. During the bond release inspection, the site was under snow and the low spot could not be evaluated during the bond release inspection to determine if there was ponding or salt accumulation.

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 final reclamation topography matching near 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. Figures 1 through 1-A include plan view drawings showing two foot contour details of the reclamation topography for BRP1-9 within the South Private Lease. Figure 1-B shows a cross section view along the north/south and east/west of the final reclamation contour compared to the original topography. The maximum variance from AOC is 5.37 feet above the original contour along the western boundary, however, this level of variance is acceptable as the original topography drainage patterns remain unchanged. Figure 2 and 2-A show the plan and profile view of the reclamation topography for BRP1-10 within the North Private lease. The maximum variance from AOC is 7.71 feet above the original contour along the southern boundary with the majority of the bond release area being above AOC. This level of variance is acceptable to the Division as the original topography drainage patterns remain unchanged and the site appeared stable.

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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 following the detailed general backfill and grading plan within the MRP 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 South Private Lease Pits 2-B and 3-B were reclaimed within bond release area BRP1-9 by moving approximately 896,000 LCY of backfill to the AOC shown on Figure 1 and Figure 1-A. The North Private Lease Pits 1 through 3 were reclaimed within BRP1-10 by moving approximately 1,555,000 LCY of backfill to the AOC shown on Figure 2. Per Division Inspection Report 5711 and 5721 the area was backfilled with subsoil in place and appeared to be stable.

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Topsoil and Subsoil

Analysis:

Analysis:

This bond release application for BRP1-9 and BRP1-10 (21.88 acres total) meets the requirements of R645-301-880.100. The two topsoil/subsoil accounting tables and Dwg 5-76A provided in Appendix 2-2 track the placement of subsoil and topsoil on the bond release areas. Providing topsoil/subsoil accounting in table format, such as that shown on p. 2-35, Chap. 2 is the protocol for bond release applications from this point forward (Conference Call 12/13/2016 between ACD and Division staff).

In the North Lease, BRP1-10 is a 12.213 acre area above the surface of Pits 1-3 in the North Lease (within the Year 1 area identified on MRP Dwg 5-76a). BRP1-10 is within W 1/2 NE1/4 Sec 13, T39 S, R6W. BRP1-10 was backfilled from July to October 2016 (Insp Rpt #5582, #5606). Subsoil placement also occurred from July to October 2016. Subsoil redistribution was ongoing in October 2016 (Insp. Rpts #5680). The BRP1-10 Table in Appendix 2-2 states that 18,784 CY topsoil and 22530 CY subsoil were placed within BRP1-10 as described on Dwg 5-76A. Greater subsoil depths were placed above spoil that was tested and found unsuitable due to SAR values and saturation percent (Dwg 5-76A shows placement and Appendix 2-2 provides lab analysis). At the completion of soil redistribution over BRP1-10, there was 56,169 CY remaining in the NPL topsoil and 27,307 CY remaining in the NPL subsoil stockpile. Therefore, topsoil was placed an average 11.4 inches deep and subsoil was placed from 18 inches to 3 feet deep as illustrated and described on Dwg 5-76A.

At the South Lease, BRP1-9 is a 9.075 acre area above the surface of HWT 2B and HWT3B (identified on MRP Dwg 5-19). BRP1-9 is within E ¼ of Sec 30, T39 S, R5W. BRP1-9 was backfilled in June 2016. Subsoil and topsoil redistribution over HWT 2 occurred in July 2016, but was temporarily halted until the subsurface dried out. Subsoil and topsoil redistribution was completed in August through September 2016 (Insp. Rpts #5582, Insp Rpt #5606, Insp Rpt #5469). The table in Appendix 2-2 states that 9,761 CY topsoil and 48,806 CY subsoil were applied to BRP1-9. After soil redistribution over BRP1-9, there was 41,155 CY remaining in Topsoil pile #4 and 162,401 CY remaining in Subsoil pile #2. The South lease reclaimed soil profile averaged 8 inches topsoil and 40 inches of topsoil as described in the MRP.

Appendix 2-2 states that all the topsoil used on BRP1-9 came from topsoil pile 4. In September (Insp. Rpt #5649), it was thought that half of the topsoil required came from Topsoil Pile #2 (Insp Rpt #5649) and the remainder came from Topsoil pile #4, which was fully consumed. The foot notes to the Other Areas Soiled from 3/1/16 to 12/14/16 Table in Appendix 2-2 clears up this confusion. Topsoil pile #4 has been consumed, but it was applied to several reclamation areas.

Chemical analysis of the BRP1-9 and BRP1-10 spoil is found in Appendix 2-2. Locations of sampling are shown on Dwg 2-2 and Dwg 5-76a, respectively. Spoil sampling was conducted in September 2016 to determine suitability characteristics and to (potentially) reduce the volume of required subsoil cover.

SPOIL TESTING:

In BRP1-10, samples were taken of the surface three feet of spoil at predetermined locations shown on Dwg 5-76a to determine whether spoil could remain in the surface four feet. Results of the spoils analysis are found in Appendix 2-2. NPL Soil Pit #1, Soil Pit #2 and Spoil Pit #3 each represent approximately 4 acres. (The area represented by Soil Pit #3 was sub-sampled at locations Soil Pit #3.5N and Soil Pit #3.5E). Based on the Division's 2008 Topsoil and Overburden Guidelines, SAR values at location NPL Pit #2 were "Fair" for two feet. These spoils were allowed to remain and were covered with 18 inches of subsoil and 13 inches of topsoil. SAR values of soils represented by Soil Pit #1 were "Poor" in the surface three feet and potentially acid forming below 2 feet. These soils were also covered by 18 inches of subsoil and 13 inches of topsoil. (Insp. Rpt. # 5649 and personal communication with Kirk Nicholes, 1/4/2017.)

SAR values in BRP1-10 NPL Pits 3 was unacceptable from 0 - 3 feet and potentially acid forming in the surface foot. These soils were sub-sampled at locations 3.5N and 3.5E shown on Dwg 5-76a. At Spoil sample location 3.5N SAR values were "Fair" from 0 – 3 feet. At sample location 3.5E, SAR values remained "Unacceptable" from 0 – 3 feet. These spoils (approximately 2-3 acres) were covered with three feet of subsoil and a foot of topsoil (Insp. Rpt. # 5649 and personal communication with Kirk Nicholes, 1/4/2017, and Dwg 5-76a.)

The remainder of Pit 3 was covered with 18 inches of subsoil and 13 inches of topsoil to reach the premining depth of 34 inches soil above shale parent material (refer to September 27, 2016 Complete Insp Rpt #5649).

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 the haul roads utilized during the mining of North Private Lease Pits 1 through 3 and South Private Lease Pits 2-B and 3-B were completely reclaimed.

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Hydrological Information Reclamation Plan

Analysis:

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

Plan view maps and cross-sections of the backfilled and reclaimed areas are provided for the Phase I bond release areas BRP1-9 in the south lease and BRP1-10 in the north lease. The maps and cross-sections show the Permittee has restored the pre-mining natural drainage patterns. Refer to Inspection Report #5711 for supporting narratives and photos of the reclaimed bond release areas.

The area BRP1-9 of HWT 2-B and HWT 3-B is adequately reclaimed. The reclaimed land surface elevation of BRP1-9 seamlessly transitions to the surrounding land surface elevation of the reclaimed HWT 2-A, Pit 20-b and Pit 21-A areas to the north and west. The reclaimed area also smoothly transitions to the unmined terrain to the east. Drainage across BRP1-9 matches the surrounding drainage patterns and runoff from the area is still routed to and treated by Pond 4 prior to leaving the permit area. Photos 1 through 6 show the reclaimed BRP1-9 area.

The BRP1-10 area of Pit 01, Pit 02, and Pit 03 is adequately reclaimed. Photo 7 in the inspection report shows the area matches the premining topography and drainage patterns. The majority of the reclaimed area flows to and is treated by Pond 5 while the southeastern corner of corner of Pit 03 reports to Pond 6.

kstorrar

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 backfilling operations continue for North Private Lease Pits 4 and 5, per Division Inspection Report #5271.

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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 as Figures 1 through 2-A show detailed plan and profile views of bond releases areas BRP1-9 and BRP1-10.

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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 the bond release application included Figures 1 and 2-A that show a topography that matches the approved final reclamation topography in Drawing 5-37, 5-37A, 5-74 and 5-74A and bond polygons shown on Drawings 5-19 and 5-77 for the North Private lease and South Private Lease respectively.

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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 Figures 1-B and 2-A show the backfill void vs undisturbed. The South Private Lease Pits 2-B and 3-B were reclaimed within bond release area BRP1-9 by moving approximately 896,000 LCY of backfill to the AOC shown on Figure 1 and Figure 1-A. The North Private Lease Pits 1 through 3 were reclaimed within BRP1-10 by moving approximately 1,555,000 LCY of backfill to the AOC shown on Figure 2. Per Division Inspection Report 5711 and 5721 the area was backfilled with subsoil in place and appeared to be stable.

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 there is no change to the existing MRP plan of the estimated final surface configuration back to AOC. Figures 1 and 2-A that show a topography that matches the approved final reclamation topography in Drawing 5-37, 5-37A, 5-74 and 5-74A.

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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.

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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. BRP1-9 includes the Phase I release of South Private Lease Pits 2-B and 3-B for \$349,380 and \$750,272 respectively. BRP1-10 includes the Phase I release of North Private Lease Pits 1, 2, and 3 for \$350,918, \$741,003, and \$749,411 respectively. The total approved bond release of \$2,985,984 for Phase I reclamation activities brings the minimum required posted bond for the Coal Hollow mine to \$9,594,000. The Mine currently maintains a bond of \$12,750,000 and will apply contemporaneous mining reclamation and operations in the North and South Private leases.

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**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/025/0005
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 21,288 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 - 9 - A portion of the CHM within the E 1/4 of Sec. 30, T39S, R5W, containing 9.075 acres. BRP1 - 9 includes the former HWT 2-B and HWT 3-B of the South Private Lease that has achieved final grade, subsoil placement and shaping for drainage control. Incremental reclamation of the BRP1 - 9 was completed in June 2016.

BRP1 - 10 - A portion of the CHM within the W half of the NE 1/4 of Sec. 13, T39S, R6W, containing 12.213 acres. BRP1 - 10 includes the former Pits 1, Pit 2, and Pit 3 of the North Private Lease that have achieved final grade, subsoil placement and shaping for drainage control. Incremental reclamation of the

BRP1 - 10 was completed in October 2016.

The Phase I bond release application is for a liability reduction of \$ 2,985,984 from the current disturbance liability of \$ 12,579,751. 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 regulations 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 November 10, 17, 23 and December 1, 2016.



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:	Tuesday, November 29, 2016
Start Date/Time:	11/29/2016 9:00:00 AM
End Date/Time:	11/29/2016 12:30:00 PM
Last Inspection:	Wednesday, November 16, 2016

Inspector: Priscilla Burton

Weather: strong North wind, blowing snow, 26F

InspectionID Report Number: 5711

Accepted by: DHADDOCK
11/30/2016

Representatives Present During the Inspection:

OGM	Daron Haddock
Company	Larry Johnson
Company	Kirk Nicholes
Company	Drew Christensen
Company	Riley Anderson

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
144.50	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:

The ground was frozen. Snow covered the bond release areas. Bond release polygons HWT 2B and HWT 3B in the South lease (9.075 acres = BRP1-9) and Area 1 polygons Pits 1-3 (12.213 acres = BRP1-10) were walked. South lease locations were topsoiled several months ago and mulched and seeded two weeks ago. North lease locations were topsoiled, mulched and seeded last week.

Lou Pratt, Kane County Road Department and Mark Boshell, PLPCO, were present during the bond release inspection. Burton Pugh, South lease landowner, contacted the Permittee to state that he would not be present for the inspection. Richard Dame, South lease landowner was contacted, but was not present. Heaton Brothers LLC, North lease landowner, was not present, but has been involved in reclamation treatments.

Refer to bond release application Figures 1 and 2 for locations.

Inspector's Signature: **Priscilla Burton**

Priscilla Burton,

Inspector ID Number: 37

Digitally signed by Priscilla Burton
DN: cn=Priscilla Burton, o, ou,
email=priscillaburton@utah.gov, c=US
Date: 2016.12.01 14:58:58 -0700'

Date Wednesday, November 30, 2016

Note: This inspection report is a public document and is available for public review. It is subject to the provisions of the Utah Freedom of Information Act. For more information, contact the Division of Oil, Gas and Mining, telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7458 • www.ogm.utah.gov



Permit Number: C0250005
 Inspection Type: BOND RELEASE
 Inspection Date: Tuesday, November 29, 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 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 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input 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 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 type="checkbox"/>	<input type="checkbox"/>	<input 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Contemporaneous Reclamation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input type="checkbox"/>	<input 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

The application is for phase I bond release on areas identified as BRP1-9 (HWT 2-B, HWT 3-B) and BRP1-10 (Pits 1-3). A release in the amount of \$2,985,984 is requested. This amount will not be released, but will be applied to other disturbance associated with the mine. No concerns were voiced by the Kane County or PLPCO representatives.

2. Signs and Markers

Identification signs are in place at the points of access to the mine.

3. Topsoil

Topsoil was placed on HWT 2B and HWT 3B last July, but piles could not be redistributed over the area, because the soils were saturated. During the inspection, it was noted that there remains a small area in HWT 3B in which topsoil is not evenly redistributed due to super saturated soils. HWT 2B and HWT 3B were mulched with nutrimulch and straw. The mulch was incorporated with disc seeding. BRP1-9 was seeded two weeks ago (Nov. 16) along with HWT1A, HWT 1B, HWT 2A and Pit 9B. BRP1-10 was seeded last Saturday (November 24). Seed mixes are discussed below.

During the inspection, Pit B1 extended area was being grubbed of vegetation, in preparation of topsoil and subsoil salvage.

4.a Hydrologic Balance: Diversions

Ditch 5, D6, and D7 in Area 1 require maintenance after topsoil redistribution.

4.b Hydrologic Balance: Sediment Ponds and Impoundments

Pond 5 contained water.

4.c Hydrologic Balance: Other Sediment Control Measures

Drainage seemed to be adequately addressed, with no indication of runoff leaving the mine site.

9. Protection of Fish, Wildlife and Related Environmental Issues

The bond release area was treated for weed control prior to seeding (see Incoming file 11182016.pdf.)

11. Contemporaneous Reclamation

For the most part, the BRP1-9 area was seeded with sagebrush/grass seed mix. The area belonging to Mr. Dame was seeded with pasture mix. The seed treatments are shown on Dwg 3-7. BRP1-10 in the North Lease was seeded with a modified pasutre mix at the request of the landowner. The modifications were to add forage Kochia and another forb. Mr. Nicholes will provide the seed mix. The seed mixes were received on 12/01/2016 via email and sent to file.

12. Backfilling And Grading

The East perimeter of BRP1-10 is about 15 feet above grade for a distance of 300 feet due to a haul truck breaking down in the area. Once the haul truck is repaired and moved, the fill will be moved. Mr. Christensen stated that this fill will be brought to grade in the next week. The Phase 1 bond release area is being used to run haul trucks. Mr. Nicholes stated that the access road will be ripped prior to topsoil placement. The survey of the perimeter of the BRP1-10 area should also be completed, since disturbed area (subsoil pile and a roadway) are adjacent. The bond release areas appeared to be stable and (except for the necessary grading noted previously) within the tolerance of approximate original contour.

21. Bonding and Insurance

The bond in the amount of \$12,750,000 still remains in place.

ATTACHMENT A – Photos	
	
<p>PHOTO 1 Looking South across HWT 3B in BRP1_9 as Daron walks into the wind.</p>	<p>PHOTO 2 Looking N from the East boundary of HWT3B.</p>
	
<p>PHOTO 3 Soft spot in HWT 3B where topsoil was not distributed.</p>	<p>PHOTO 4 Looking West across boundary between HWT 2B and 3B in BRP1_9.</p>

ATTACHMENT A – Photos continued



PHOTO 5 Straw mulch, nutrimulch and seed beneath the snow.



PHOTO 6 Looking SW at HWT 2B in BRP1_9



PHOTO 7

Looking North across BRP1_10. Haul trucks are traveling along the eastern edge of reclaimed Pit 3 to unload spoil into Pit 4.



PHOTO 8

Survey flags on fill piles denote eastern edge of BRP1_10.