



Suzanne Steab <suzannesteab@utah.gov>

Clarification of NPL Pit 13 Bond Adequacy

Dana Dean <danadean@utah.gov>

Tue, Jan 9, 2018 at 5:44 PM

To: Kirk Nicholes <knicholes@altoncoal.com>, Andrew Christensen <drew@altoncoal.com>, Howard Strand <hstrand@osmre.gov>, Daron Haddock <daronhaddock@utah.gov>, Justin Eatchel <jeatchel@utah.gov>, Suzanne Steab <suzannesteab@utah.gov>, Steve Demczak <stevedemczak@utah.gov>, Steve Christensen <stevechristensen@utah.gov>, John Baza <johnbaza@utah.gov>, Priscilla Burton <priscillaburton@utah.gov>, Bob Nead <blbnead@altoncoal.com>, Larry Johnson <ljohnson@altoncoal.com>, Steve Alder <stevealder@agutah.gov>, Christine Belka <cbelka@osmre.gov>, Alexis Long <along1@osmre.gov>, Daniel K Mackinnon <dmackinnon@osmre.gov>, "Medlin, Thomas" <tmedlin@osmre.gov>

Hello all:

I apologize that the decision I made last week for Alton Coal to be able to mine 32,000 tons of coal and associated overburden in Pit 13 of the North Private Lease was not as clear as it should have been. Due to the immediacy of the need I was typing the email on my phone while travelling to Price for a co-worker's mom's memorial service. It did not contain the fullness of my review and I would like to provide it here for the record. The immediacy is also why I reviewed this myself instead of passing it on to staff.

I agree that my original email made it sound as if I were approving the movement into Pit 13 based on factors other than what is required for a bond adjustment. I would like it to be clear, that the decision made on January 4 was in accordance with R645-301-830.430

"A permittee may request reduction of the amount of the performance bond upon submission of evidence to the Division providing that the permittee's method of operation or other circumstances reduces the estimated cost for the Division to reclaim the bonded area. Bond adjustments which involve undisturbed land or revision of the cost estimate of reclamation are not considered bond release subject to procedures of R645-301-880.100 through R645-301-880.800."

My decision of January 4 was based on information provided to me by Alton Coal showing that they had not disturbed certain areas of Pits 11 and 12 (North Lease) due to the coal outcropping in that area. As a Professional Engineer, Registered in the State of Utah I reviewed the information and found that the area they did not disturb equaled enough bond for them to mine 32,000 tons of coal and associated overburden in Pit 13. As the rule states, **the permittee's method of operation reduced the estimated cost for reclamation of Pits 11 and 12** in the amount needed to mine the 32,000 tons of coal and associated overburden in Pit 13. **They may not go beyond the 32,000 tons of coal and associated overburden in Pit 13 until some type of bond release occurs, or they post additional bond.**

Alton Coal provided me with a map of areas that had been surveyed as of December 31 by Mr. Joe Kumpe, Sr. The document provided last week did not have his signature, I have attached a new, signed copy of the survey where he has added some additional information that was in the memo forwarded to all on January 4.

The survey shows that 21% of Pit 12 and 16% of Pit 11 were left completely undisturbed. As per the MRP Chapter 8 and Appendix 8-2 the bond associated with that undisturbed area of Pits 11 and 12 is approximately \$320,000 on a percentage basis. Also according to the MRP \$320,000 will cover 32,000 tons of coal and associated overburden in Pit 13. Again, as a Professional Engineer this is a close enough approximation for the type of calculation being made. I am confident that the undisturbed areas of Pits 11 and 12 qualify for the bond adjustment made on January 4, 2017.

Please let me know if this is still not clear, or if you would like to discuss.

Thank you,
Dana

Dana Dean, P.E.
Associate Director - Mining

Utah Division of Oil, Gas and Mining

ogm.utah.gov

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2 attachments



December 2017 EOM survey (1).pdf

571K



Memo - NPL Pit 13 Bond Adequacy_20180104_signed (2).pdf

850K



Alton Coal Development, LLC

463 North 100 West, Suite 1
Cedar City, Utah 84720
Phone (435) 867-5311 Fax (435) 867-1192

January 4, 2018

Dana Dean
Associate Director - Mining
Oil, Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114-5801

Re: **Bond Adequacy for Partial Mining of Pit 13 in the North Private Lease, Alton Coal Development, LLC, Coal Hollow Mine, Kane County, Utah, C/025/0005**

Dear Ms. Dean:

Alton Coal Development, LLC (ACD) is requesting your verification of bond adequacy to mine approximately 32,000 tons of coal and the associated overburden from Pit 13 of the North Private Lease (NPL). Modeled reserves in Pits 11 and 12 did not materialize due to oxidation and sub-cropping, and as a result, ACD did not remove the overburden and soils above the lost reserve. Mining this portion of Pit 13 will allow ACD and our coal haulage contractors to maintain an uninterrupted stream of coal production while we move forward with the bond release process for Pits 7-10.

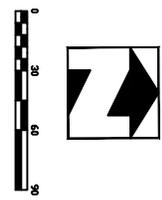
As shown in the included diagram, survey data indicates that approximately 16% of the reserves in Pit 11 and 21% in Pit 12 were lost. This equates to approximately 75,000 cubic yards of overburden in Pit 11 and 135,000 cubic yards in Pit 12 that were not excavated. The bond liability coverage associated with this material (MRP Chapter 8 and Appendix 8-2) is nearly \$320,000. Applying that sum to Pit 13 allows for mining of approximately 26% of the pit, or 32,000 tons of coal.

ACD expects that mining 32,000 tons of coal from Pit 13 in addition to the remainder of Pit 12 will progress to approximately mid-February. This should allow adequate time to finalize either Phase I bond release of Pits 7-10 or recalculation of bond liability under expected modifications to DOGM's Tech Memo 007, and possibly both.

Please do not hesitate to contact me if you have any questions 435-705-3832.

Sincerely,


Andrew R. Christensen
Technical Services Manager
Alton Coal Development, LLC



MINED
NOVEMBER 2017

PARTIALLY MINED

PIT 11

PIT 12

PIT 13

MINED
NOVEMBER 2017

EXPOSED

OXIDATION/SUB-CROP
BOUNDARY

MINED
NOVEMBER 2017

LOST RESERVE

LEGEND:

-  LEASE BOUNDARY
-  PRIVATE COAL OWNERSHIP
-  SECTION LINE
-  FOUND SECTION CORNER
-  FOUND PROPERTY CORNER

DRAWN BY: A. CHRISTENSEN	CHECKED BY: DWG
DRAWING: X-XX	DATE: 1/4/2018
JOB NUMBER: 0001	SHEET

REVISIONS	
DATE:	BY:

PIT 11&12 COAL LOSS LOCATION MAP	
NORTH COAL HOLLOW PROJECT ALTON, UTAH	
DRAWING: X-XX	

PIT 11&12 COAL LOSS LOCATION MAP	
NORTH COAL HOLLOW PROJECT ALTON, UTAH	
DRAWING: X-XX	



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This is from my December 2017 end of month survey.
Joe Kumpe Sr.

Joe Kumpe Sr.

210,000 CY
of 845,925 Total
@ 25% of Pit
\$1,204,252 bond
totaling \$312,978

Pit 13

MINED
DECEMBER 2017

Pit 12

135,000 CY
of 634,353 Total
@ 21% of Pit
\$940,502 bond
totaling \$197,505

MINED
NOVEMBER 2017

Pit 11

MINED
NOVEMBER 2017

75,000 CY
of 459,248 Total
@ 16% of Pit
\$721,706 bond
totaling \$115,473

