



GARY R. HERBERT  
Governor

SPENCER J. COX  
Lieutenant Governor

# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
Executive Director

### Division of Oil, Gas and Mining

JOHN R. BAZA  
Division Director

February 2, 2018

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

Subject: Approval of NPL Bond Adjustment, Alton Coal Development, LLC, Coal Hollow Mine, C/025/0005, Task ID #5605

Dear Mr. Nicholes:

Your application for adjusting the Coal Hollow bond has been reviewed by our technical staff and it meets the regulatory requirements for approval. You are hereby approved to move forward with your mining plans and can mine to pit 15 with your current bond. A copy of our technical analysis is enclosed, which discusses the reasoning behind the adjustment.

The above-referenced amendment must be incorporated into the approved Mining and Reclamation Plan. Please submit 2 clean copies prepared for incorporation by no later than February 16, 2018. A stamped incorporated copy of the approved plans will be returned to you at that time, for insertion into your copy of the Mining and Reclamation Plan.

If you have any questions, please call me at (801) 538-5325.

Sincerely,

Daron R. Haddock  
Coal Program Manager

Enclosure

Cc: Steve Demczak, Justin Eatchel

DRH/sqs

O:\025005.COL\WG5605 BOND ADJ\02022018.5605.DOC





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

## Technical Analysis and Findings

### Utah Coal Regulatory Program

**PID:** C0250005  
**TaskID:** 5605  
**Mine Name:** COAL HOLLOW  
**Title:** NPL BOND ADJUSTMENT

#### Reclamation Plan

#### Bonding Determination of Amount

##### Analysis:

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

This amendment proposes to restructure the method whereby the Permittee calculates and administers the required reclamation bond for all mining areas going forward. Previously, the bonding scheme was centered around a scenario where multiple mined out pits would be left open, and overburden from those pits stockpiled at various locations on site. However, that scenario does not adhere to the mine plan as detailed in the approved MRP, which live hauls the overburden from the active pit to be used as backfill in the recently mined out pit adjacent. This method of concurrent reclamation satisfies the majority of the Phase 1 bonding requirements of backfilling and grading, and the newly proposed bonding scheme reflects that.

Even though the Permittee is performing concurrent reclamation work as mining progresses, the Division will continue to oversee the progress of backfilling, grading and establishing drainages on a monthly basis. Additionally, the Division will require that 10% of the Phase 1 bonding costs be withheld until full Phase 1 bond release. This is done to ensure that Permittee fully restores the mined out areas to approximate original contour to the satisfaction of the Division.

The current bonding scheme prescribes a system of increments that are bonded and released at different times. The total bond liability at any given point in time depends on how many mining increments will be disturbed versus how many will be reclaimed (or released). The proposed bonding scheme preserves this system of incremental bonding, but the required phase 1 bond amounts are significantly reduced since the Phase 1 reclamation work is being performed concurrently by the Permittee.

Permittee has recalculated all liabilities associated with the South Areas and North Private Lease permit areas under the new bonding scheme. A Point of Maximum Reclamation Liability has been determined for each area and bond posting and release plans have been sequenced. The current surety bond held by the Permittee is \$12,750,000, and this amendment does not petition for a reduction of that amount. Instead, Permittee requests to maintain this amount as it is adequate to cover mining activities for the remainder of the South Areas, North Private Leases, and all existing and proposed facilities. The current surety amount ensures that all pits in the North Private Lease are bonded through pit 15. At that point, bond release is required to continue mining activities through pit 18 and throughout the rest of the year into 2019.

jeatchel