



GARY R. HERBERT  
Governor

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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, 2018

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

Subject: Completion of Midterm Review, Task #5617, Alton Coal Development, LLC, Coal Hollow Mine, C/025/0005

Dear Mr. Nicholes:

On March 1, 2018, Alton Coal Development, LLC was informed that the Division of Oil, Gas and Mining had commenced a midterm permit review for the Coal Hollow Mine.

The midterm review has now been completed and will now be closed; however, the Division has identified deficiencies that must be addressed. The deficiencies have been included with this letter (See Attached). The name of the author for each of the respective deficiencies has been provided.

Your response to these deficiencies will need to be submitted as an amendment to your MRP and will be processed as a separate task. Please submit the required amendment with the accompanying C1 and C2 forms by no later than June 8, 2018.

If you have any questions regarding these requirements or the Midterm Review process, please don't hesitate to call me at 801-538-5325.

Sincerely,

Daron R. Haddock  
Coal Program Manager

DRH/sqs  
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## Technical Analysis and Findings

### Utah Coal Regulatory Program

**PID:** C0250005  
**TaskID:** 5617  
**Mine Name:** COAL HOLLOW  
**Title:** MIDTERM PERMIT REVIEW

### Environmental Resource Information

#### Maps Vegetation Reference Area

*Analysis:*

Item H of the midterm review process for the Coal Hollow Mine is to review and inspect the currently approved vegetative reference areas. This reevaluation is to occur periodically throughout the life of the mine in order to ensure the reference areas continue to represent the desired standards of success for revegetation. Normally this review takes place at the midterm review, however due to an OSM oversight inspection at Coal Hollow in 2016, which included an evaluation of the reference areas, it was determined that another evaluation would not be necessary in 2018. Instead, the reference area map for the mine was inspected and found to be in compliance with the R645-301-323.100 requirements for vegetation reference area maps. The map, Drawing 3-1, includes the locations of the 8 reference areas as well as their GPS coordinates. Each lease area, North and South, have four reference areas. The South Lease reference areas represent Meadow (dry), Meadow (wet), Oak brush, and Sagebrush/Grass communities. The North Lease reference areas represent Sagebrush (drainage), Sagebrush (drainage, alt.), Wetland (drainage), and Riparian (drainage) communities.

tmiller

### Operation Plan

#### Mining Operations and Facilities

*Analysis:*

The midterm review application meets the requirements of Mining Operations and Facilities as per R645-301-528.

An on-site midterm inspection conducted on Wednesday, April 25 revealed that the mine plan was being executed as proposed in the Mining and Reclamation Plan. Active operations are currently being carried out in Pit 14 of the North Private Lease area of the mine. Topsoil stripping was carried out in the east end of the pit while coal was being harvested from the exposed coal seam in the middle of the pit. Overburden was being actively backfilled into the west end of the pit concurrently with stripping and mining activities. Installation of drainage structures were discussed for the section of the North Haul Road that runs along the east end of reclaimed Pit 10. Drainage ditches and culverts are planned for installation pending approval of the NPL Open Pit expansion.

jeatchel

### Hydro Surface Water Monitoring

*Analysis:*

[Empty box for analysis text]

The permittee is in compliance with special permit conditions 2, 3, and 4.

The special permit conditions and permittee compliance with these conditions are as follows:

"2. In the event that ACD encounters large volumes of groundwater (a sustained flow of more than 1 cfs) in any pit, they will be required to notify the Division, and assess and submit plans to curtail inflows to the pit and reestablish groundwater movement."

The mine has not encountered sustained flows for more than 1 CFS in any pit. The permittee is aware of this condition and regularly updates the Division on flows into the pit.

"3. The Applicant will be required to monitor for selenium where water leaves the minesite, during operational and reclamation phases."

The mine has been monitoring selenium levels at downstream surface water sites and reporting this quarterly to the Division.

"4. The Applicant will be required to evaluate discharges from the mine to determine any impacts to the designated AVF on Kanab Creek. An annual finding should be placed in the Annual Report during operation and reclamation of any adverse impacts to the channel, diminution of water quality and impacts to wildlife."

The mine has been submitting AVF reports to the Division on an annual basis. These reports are written by Erik Peterson P.G. and submitted with the mine's annual report.

kstorrar

## Hydrologic Diversion General

### Analysis:

The MRP meets the State of Utah R645 requirements for diversions.

All diversions in the NPL are installed and functioning properly. The diversions were inspected by me to ensure they are properly functioning during my visit to the site in mid-January. All disturbed area runoff from the diversions drains to the sediment ponds.

kstorrar

## Hydrologic Sediment Control Measures

### Analysis:

The MRP meets the State of Utah R645 requirements for Sediment Ponds and special permit condition 5.

Special permit condition 5 is as follows:

"5. Prior to conducting coal mining and reclamation operations within areas 2 & 3 of the North Private Lease, Alton Coal Development will obtain the necessary 404 permit from the U. S. Army Corp. of Engineers."

Sediment Ponds 5, 6, & 7 have been installed in the North Private Lease and are properly functioning. The mine received an individual permit from the USACE July of 2017 allowing them to construct Sediment Pond 7 to the west of Kanab Creek. Currently all disturbed area runoff drains and is treated in each of these ponds prior to leaving the permit area.

kstorrar

## Reclamation Plan

### Topsoil and Subsoil

#### Analysis:

The MRP does not meet the requirements of R645-301-241, because changes to the the topsoil and subsoil balances necessitate changes to the topsoil handling plan.

At the end of 2017, there remained 120,760 CY of subsoil and 96,681 CY of topsoil stockpiled in the South Lease. The subsoil be redistributed over a total of 30 acres [Pit 10 (22.4 acres) and Pond 3 (4.1 acres) and the additional acreage of Ponds 1, 1B, and 2 (approximately 3.5 acres)]. (The remaining areas did not have subsoil removed or in the case of the borrow area, overburden will be covered with topsoil.)

Given the volume of available subsoil and the area of redistribution, the potential subsoil redistribution depth is 2.5 feet over the 30 acre area. This is adequate cover for spoils which are tested and found suitable. The reclamation plan must provide for a sampling plan of the backfilled spoils as well as the cut surface to allow the lesser cover over the spoil.

In 2017, the Permittee seeded open areas North of Pit 10, around Pond 2 and Pond 3 to add to the potential substitute topsoil. An inventory of the acreage of interim reclaimed areas and potential substitute topsoil volumes along with an updated MRP Dwg 2-2 is requested.

The 96,681 CY of topsoil stockpiled in topsoil stockpiles #1 and #2 will be added to 73,446 CY of substitute topsoil recovered from the interim reclamation area. The total volume of 170,127 CY will be used to reclaim 154.5 acres at the South Lease (Dwg 5-38 In. 2017 Ann Rpt). The total topsoil and substitute volume will cover the 154.5 acres to a depth of 0.68 ft (8 inches). This is the required 8 inches proposed as an average topsoil redistribution depth in the South Lease (MRP Section 240).

#### *Deficiencies Details:*

The application does not meet the R645-301-240 and R645-301-121.100 requirements. The following deficiency must be addressed prior to final approval:

R645-301-121.100 and R645-301-240,

Update Table 1 Chapter 2 of the MRP with current topsoil and subsoil volumes and acreage to be reclaimed.

Revise Section 231.200 to state that substitute topsoil cover is planned in the South Lease.

Update Section 240 of the MRP to revise the subsoil cover depth over spoils which are tested for acid/toxic parameters and found good or fair as described in Table 4 of the Division's Guidelines for Management of Topsoil and Overburden. Include a description of the sampling plan of the backfilled spoils as well as the cut surface to allow the lesser cover over the spoil. Dovetail this sampling plan with the hypothetical one described in Section 232.720.

Update Dwg 2-2 with seeded areas North of Pit 10, around Pond 2 and Pond 3 labeled as potential substitute topsoil.

Update Chapter 2 Section 233.100 - 400 wording to describe the use of topsoil substitutes. Describe the average topsoil and substitute topsoil redistribution depth (8 inches) for the remaining South Lease. Describe the average subsoil redistribution depth for the South Lease (2.5 feet). Include in Section 233.100-400 an inventory of the acreage of interim reclaimed areas and their potential for substitute topsoil, estimate volumes for each area.

Reword the final statement in Section 232.500 to indicate that in the North and South Lease any regraded areas that exhibit surface accumulation of salts, the SAR ratio will be reported along with the topsoil sampling.

pburton

## **Bonding Determination of Amount**

### *Analysis:*

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

R645-301-830: The mine plan as detailed in the approved MRP 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.

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 required phase 1 bond amounts are significantly reduced since the Phase 1 reclamation work is being performed concurrently by the Permittee. Additionally, the Division requires 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 Division continues to oversee the progress of backfilling, grading and establishing drainages on a monthly basis.

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 dollars. Permittee intends to maintain this amount as 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 will be required to continue mining activities through pit 18 and throughout the rest of the year into 2019.

jeatchel