



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 13, 2019

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

Subject: Chapter 1 Revision, Alton Coal Development, LLC, Coal Hollow Mine, C/025/0005,
Task #5851

Dear Mr. Nicholes:

The Division has reviewed your application. The Division has identified deficiencies that must be addressed before final approval can be granted. The deficiencies are listed as an attachment to this letter.

The deficiencies authors are identified so that your staff can communicate directly with that individual should questions arise. The plans as submitted are denied. Please resubmit the entire application.

If you have any questions, please call me at (801) 538-5350.

Sincerely,

Steve Christensen
Permit Supervisor

SKC/sqs

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Technical Analysis and Findings

Utah Coal Regulatory Program

PID: C0250005
TaskID: 5851
Mine Name: COAL HOLLOW
Title: CHAPTER 1 REVISION

Summary

This amendment makes changes to the officers of the Permittee. These changes are shown in blue-line strikeout. Changes in red-line strikeout pertain to Task 5855 which is under review simultaneously.

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General Contents

Identification of Interest

Analysis:

The application does not meet the State of Utah R645 requirements for Identification of Interests, because the officers and directors information is not clear and concise. Information presented in Sections 112.300 through 112.420 of the application could be organized and combined to provide clarity.

For instance under section 112.230 the MRP lists the name of the person paying the AML fee, but Utah coal rule R645-301-112.230 requests the applicant's tax payer ID. The applicant's taxpayer ID number is given along with name, address, telephone number in Section 112.210. The person responsible for the payment of AML fees was formerly required by R645-301-112.230 under the 2002 rules, but is no longer required under the 2012 rules. The person responsible for payment of AML fees is provided in MRP section 112.330 and again in Section 112.420. Utah coal rules R645-301-112.400, -112.410, -112.420 all pertain to other coal mining operations owned or controlled by the applicant or operator. The point being that if MRP sections are being broken out by Utah Coal Rules, then it follows that the information provided under each section should provide the information required by that rule. Another area of confusion is the apparent listing of Robert C Nead, Jr. as owner of SH Coal Investments, LLC in Section 112.420. Also, whereas Mr Nead, Jr is listed as President of ACD in the Confidential MRP section 112.310, but not listed as such in confidential MRP section 112.310.

In order to avoid duplication of information, the Division suggests that it would be logical to combine the information requested by the sequential rules R645-301-112.300, -112.310, -112.320, and -112.330 in one place, under a single heading, to avoid duplicate and incomplete information. For instance, in the current MRP, the managers and officers of the applicant are listed in Section 112.310 and again in Section 112.330. The information could be combined into one section, because currently both sections are incomplete. i.e. the first section does not list Robert C Nead, Jr. and the second Section lists him as an officer, but does not give his title, position, relationship, address, telephone number information required by R645-301-300 et seq. Similarly, the first section lists owners of the applicant, but their title, relationship and begin dates are listed in the second section. Their telephone numbers are missing from both sections.

Another area of duplication is the percentage ownership provided in both Section 112.310 and Section 112.320. Section 112.310 states that James Wayland and SH Coal Investment, LLC own 10% or more of the applicant. Section 112.320 further clarifies that James Wayland owns 25.5% of ACD and Sleepy Hollow Investors, LLC owns 49%. This information could be placed in Section 112.310 for clarity. [Appendix 1-10 provides an explanation for the outstanding 24.5% ownership as follows: "the company is owned by various members, of which only two members own 10% or more of the company."]

The information requested by all sequential rules (112.300, 112.310, 112.320 and 112.330) is the name, address, and telephone number of each entity in the organizational chart (which is provided in Appendix 1-10) and the name and address and telephone number, position, title, and relationship, including location in the organizational chart of each officer, member, director, and every person/entity owning more than 10% of the applicant.

Information provided in Appendix 1-10, could be referenced in MRP Section 112.400. Appendix 1-10 provides a statement about the organization's family tree, and an organizational chart, but does not confirm Robert C Nead, Jr. as owner of SH Coal Investment, LLC.

Appendix 1-10 is referenced under MRP headings 112.340, 112.350, 112.400 and 112.410, because it provides information required by R645-301-340 through R645-301-112.420 for other coal mining and reclamation operations owned or controlled by a parent entity to the applicant.

Deficiencies Details:

The application does not meet the R645-301-121.200, clear and concise requirements. The following deficiency must be addressed prior to final approval:

R645-301-121.200, Please review sections 112.100 through 112.420 of the MRP (and section 112.310 of the Confidential MRP for duplication of information, conflicting statements, or mis-statements and combine information such that the name and address and telephone number, position, date assumed, title, and relationship, including location in the organizational chart of each officer, member, director, and every person/entity owning more than 10% of the applicant is clearly stated under an appropriate heading, as required by R645-301-112 through R645-301-112.330.

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