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DEPARTMENT OF NATURAL RESOURCES

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Outgoing
C0410002
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May 22, 2012

Ken May, General Manager
Canyon Fuel Company LLC
597 South SR24
Salina, Utah 84654

Subject: Northwater Mitigation Plan, Canyon Fuel Company, SUFCO, C/041/0002, Task #4079

Dear Mr. May:

The Division has reviewed your application for the Northwater Mitigation Plan. The Division has identified deficiencies that must be addressed before a determination can be made that the requirements of the R645 Coal Mining Rules have been met, and final approval granted. Those deficiencies are listed as an attachment to this letter. In order to facilitate an expedited review, the author of each deficiency is identified by their initials in parentheses.

Both the Division and the Forest Service still have concerns about this mitigation plan being presented as a "final" solution. If the current Northwater Mitigation water replacement plan proves inadequate, then the recommendations outlined in the 2010 Petersen Hydrologic Well Drilling and Slug Testing report to conduct additional groundwater drilling in the subsidence fractured areas of the region should be considered further as an alternative water supply source. Furthermore, due to the increased activity associated with the water redistribution project, the Division recommends that CFC monitor raptors in the area around all associated springs, especially the active golden eagle territory in section 3 of T21S R5E.

The plans as submitted are denied. Please resubmit the entire application by no later than June 6, 2012.

Sincerely,

Daron Haddock
Coal Program Manager

DRH/AAA/sqs
Attachment
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Deficiency List

Task No. 4079

Task Name: Northwater Mitigation Plan

The members of the review team include the following individuals:

April Abate (AA)

Ingrid Campbell (IC)

James Owen (JO)

[R645-301.731.750]: Operational Plan: The installation of a solar pump and associated panels meets the objectives of a current solution to the satisfaction of the Forest Service and DOGM. Both agencies acknowledge that this plan should be tested and cannot be considered a final solution until it can establish a proven operation and maintenance track record. As such, a bi-weekly monitoring schedule for the system should be set up during the grazing season. The Operator should add a commitment to Appendix 7-25 to include a statement that the system will be monitored on a bi-weekly basis and during its first season of operation, provide monthly updates (via e-mail) to DOGM and the USFS. Operation and maintenance information of the Northwater Mitigation system should also be included as an annual report item during any grazing season when the system is in use. The information should include pump volume estimates and water volume supplied to each trough. **(AA)**

[R645-301.731.750]: Please include all piezometer data collected to date be included in Appendix 7-25 along with maps showing the locations of all piezometers. The Operator should add a commitment to Appendix 7-25 that piezometer data will be provided to the Division in the annual report. **(AA)**

[R645-301-320]: Please revise appendix 7-25 and remove statements regarding impacts to vegetation. Currently, there is no quantitative data to support the claim that the riparian vegetation has not been impacted. **(IC)**

[R645-301-320]: Please provide a commitment in the Mining and Reclamation plan to complete, within 5 years, a mitigation project that includes enhancement of a comparable riparian area in the Muddy Creek or Quitcupah drainages in consultation with the Forest Service and the Division. **(IC)**

[R645-301-353]: Please include a seed mix and revegetation plan for areas disturbed by the pump pad and pipeline. **(IC)**

[R645-301.521.180-190]: The Division considers the pumping system, in its entirety, an operational support facility which will be permitted under the Sufco permit. As with other support facilities, in addition to the narrative description, the Division requires plans, design drawings, cross sections, etc. for the facility. **(JO)**

R645-301.542.100. The applicant must include a commitment to reclaim the operational facility, including piezometers, along with and according to the reclamation timetable approved in the reclamation plan sections of the MRP. **(JO)**

[R645-301-830, 830.140-200]: The applicant must update their bond calculations and spreadsheets to include the facility as an item requiring demolition, removal and reclamation. The applicant must also demonstrate that the amount of bond currently posted is adequate to cover reclamation of the facility. For the time being, the system must be permitted as an operational facility that will be expected to be removed and reclaimed at the end of life of mine. Due to the fact that a specific bond amount will be dedicated to the facility's reclamation, the Division will not consider or require the costs associated with perpetual maintenance of the system. Adequate bonding for demolition, removal, and reclamation are all that are being required at this time. **(JO)**

[R645-301-830, 830.140-200]: The applicant must remove any language or references within the application that states that liability for the facility will be transferred to a third party at the end of Sufco's life of mine. For the time being, the system must be permitted as an operational facility that will be expected to be removed and reclaimed at the end of life of mine. The application may include language which leaves open the possibility that the final reclamation plan for the facility may be adjusted or that there may be a post-mining land use change. **(JO)**

[R645-301.731.750 -830.140-200]: The Permittee must provide a commitment that an evaluation of the impacted Northwater area will be initiated no later than three years prior to the cessation of mining activity. The purpose of the evaluation will be to assess:

- 1) The hydrologic condition of the Northwater area (i.e. whether or not the pre-subsidence hydrology has been re-established).
 - 2) Whether continued water replacement is necessary.
 - 3) If water replacement is necessary, whether the proposed pumping system is the best technology currently available for long-term operation.
 - 4) Any water rights associated with the operational system will be transferred over to the USFS (or current water right holder at that time).
 - 5) The long-term liability of the chosen water replacement system (i.e. bonding).
- (AA and JO)**