

## Memorandum

**To:** Jordan Sweeney

**From:** Mike Terry

**Regarding:** Follow-Up On Meeting To Discuss Big Horn Mine Pending Permit & Bond Release Actions

**Meeting Participants:** Jordan Sweeney, Ambre Energy, Don Crecelius & Larry Barbula, WDEQ/LQD, Mike Terry, Aqua Terra Consultants, Inc.

**Meeting Duration:** 8:00 to 09:15 am, June 6, 2012

The following pending items and outcomes were discussed during the above meeting:

1. BHC maintenance and outstanding issues.
  - a. There is regulatory concern regarding contemporaneous reclamation of the remaining Big Horn Facilities, including the shop, lagoon, and Reservoir No. 2. Jordan will respond in writing to Ms. Nancy Nuttbrock's (LQD) request for clarification of Big Horn Coal's intentions. Jordan outlined several secondary viable options that have recently developed, including possible transfer of these structures to the Padlock Ranch, who has retained some reversionary right to lands beneath the shop and other nearby reclaimed areas. Jordan presented November 2011 correspondence from Padlock Ranch expressing interest in transferring ownership of the existing improvements to them. This would require a change of postmining land use (to agricultural), before removing all reclamation and bonding requirements. As new owners Ambre is also evaluating nearby reserves for resumption of coal mining. Later in the meeting Larry indicates that by established LQD rule, ASCM's are not a viable option for the facilities if the facilities are to remain active. I believe this means that Reservoir No. 2 will need to remain functional with the shop, until such time that it is reclaimed, or its postmining land use is changed.
  - b. Recent LQD inspections have identified deficiencies in control of surface water runoff within the permanent access corridor at two locations in Pit 3. Mike will forward the name and telephone number of the most recent contractor used for grading. Mike will be available to meet with the contractor onsite to coordinate the needed repairs. Based upon the current situation DEQ and ATC agree that grading and placement of bottom of channel rip-rap are the preferred option for stabilizing the "upper" vehicle swale. Grading will restore hydrologic routing near the second vehicle swale, immediately below the landfill area. Ambre is committed to restore the road bed and drainage borrow areas. Jordan will provide a follow-up time frame for completion.
2. Jordan confirmed that ATC will be authorized to proceed with sediment control release for the remaining areas of Pit 1 and Pit 3. This package will also include the ASCM proximate to reclaimed silo and coal load out area near the red entrance gates, and the historic reclaimed retail yard area. A release package was well underway (Mike estimates 85-90%) complete prior to the Ambre purchase. Upon its acceptance by LQD, it will be appropriate to remove all reclamation/mine plan inspection commitments from Reservoirs 8, 9-1, 14, Scale House, and Pit 3 Reservoir as they will no longer function as reclamation stage sediment control. According



to LQD rules, Reservoir 2 must remain active (see above discussion) until the nearby facilities have been reclaimed.

3. Jordan presented a map of the Plachek Pit area along Goose Creek that will be affected by pending AML reclamation. While outside the current permit area, based upon disturbance area and scope of work. Mike opined that this work will have the potential for substantially more impact to Goose Creek and Tongue River than the late stage activities at Big Horn Mine. Particularly from increased sediment load. Therefore, Ambre proposes to move forward with a surface water verification package to demonstrate that all postmining objectives have been successfully achieved. It was generally agreed that there are no outstanding issues or significant detriments to surface water as the elevated TDS monitored at Reservoir 14 during early stages of reclamation have greatly improved and the pond continues to function as planned. A verification assessment for Pit 3 Reservoir has already been accepted by LQD. Don and Larry were in general agreement with this proposed approach. Surface water verification components will minimally include: presentation of historical quality and quantity, statements of non-impact to neighboring water right holders, restoration of the areas hydrologic balance, and functionally for postmining land use. Upon LQD approval of a surface water verification demonstration, ATC will revise the permit to remove monitoring commitments for quality and quantity at all stations on Goose Creek and Tongue River, and at Reservoir 14 and Pit 3 Reservoir. New surface water monitoring commitments would be introduced if mining were to resume. There was no discussion on removing the existing surface water monitoring stations on Goose Creek Tongue River. These facilities are still bonded. From Larry's statement, the drainage from the southern half of the shop area will need to route back to Reservoir No. 2. This area currently drains to Reservoir 14.
4. LQD is in possession of a demonstration of final revegetation success for the remaining areas of Pit one and Pit 3. Stacey Page LQD has asked to possibly view the small 4- acre area near the North French that has been problematic. The area has been interseeded recently and is showing substantial improvement. Mike will contact Stacey for scheduling a near term site visitation, if warranted. Following acceptance of the revegetation verification package, ATC will prepare a final Phase III bond release package for all remaining bonding at Pits 1 and 3, and much of the historic Scale House Facilities area. However, there will be no proposal to modify the current permit boundary. Bonding and inspections will remain in place for the shop and facilities area, and the unreclaimed retail rail load out area near Reservoir 8, totaling approximately 48-acres, less about 11-acres which are currently designated permanent postmining roads. No options for the retail rail load out facility were discussed.