

FEDERAL

PERMIT
ACT/007/004

December 24, 1999

**STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801**

This permit, ACT/007/004, is issued for the State of Utah by the Utah Division of Oil, Gas and Mining (Division) to:

**Castle Gate Holding Company
9100 East Mineral Circle
Englewood, CO 80155-3299
(303) 643-5000**

for the Castle Gate Mine. Castle Gate Holding Company has rights of entry to the permit area described below, and these rights of entry are contained in leases, subleases and related documentation. A Surety Bond is filed with the Division in the amount of \$1,804,000, payable to the State of Utah, Division of Oil, Gas and Mining and the Office of Surface Mining Reclamation and Enforcement (OSM).

Sec. 1 STATUTES AND REGULATIONS - This permit is issued pursuant to the Utah Coal Mining and Reclamation Act of 1979, Utah Code Annotated (UCA) 40-10-1 et seq, hereafter referred to as the Act.

Sec. 2 PERMIT AREA - The permittee is authorized to conduct underground coal mining activities on the following described lands within the permit area at the Castle Gate Mine situated in the state of Utah, Carbon County, and located in:

Township 12 South, Range 9 East, SLB & M

Section 22: Portions of SE1/4 SW1/4 and S1/2 SE1/4
Section 26: Portions of W1/2
Section 27: All except portions of NW1/4 and NW1/4 NW1/4 SW1/4
Section 28: All except portions of SE1/4 SE1/4 NE1/4, SE/14, and SW1/4
Section 29: All except N1/2 NW1/4, NW1/4 NE1/4 and portions of S1/2 NE1/4, and N1/2 SE1/4
Section 30: All except N1/2 N1/2
Sec. 31, 32,
Sec. 33, 34: All
Section 35: Portions of N1/2, W1/2 SW1/4, and SE1/4

Township 13 South, Range 9 East, SLB & M

- Section 1:** Portions of NW1/4 NW1/4
- Section 2:** Portions of NE1/4 and NW1/4
- Section 3:** NW1/4 and portions of NE1/4, SE1/4 and SW1/4
- Section 4:** N1/2 and portions of SE1/4 and SW1/4
- Section 5:** NE1/4 and portions of NW1/4, SE1/4 and SW1/4
- Section 6:** N1/2 and portions of SW1/4 and SE1/4
- Section 8:** Portion of NE1/4
- Section 9:** Portions of NE1/4, NW1/4 and SW1/4
- Section 10:** Portions of NE1/4 and NW1/4

This legal description is for the permit area of the Castle Gate Mine as shown on Plate 1-1 of the approved Mining and Reclamation Plan. The permittee is authorized to conduct underground coal mining activities and related surface activities on the foregoing described property subject to the conditions of all applicable conditions, laws and regulations.

- Sec. 3** **COMPLIANCE** - The permittee will comply with the terms and conditions of the permit, all applicable performance standards and requirements of the State Program.
- Sec. 4** **PERMIT TERM** - This permit expires on December 24, 2004.
- Sec. 5** **ASSIGNMENT OF PERMIT RIGHTS** - The permit rights may not be transferred, assigned or sold without the prior written approval of the Division Director. Transfer, assignment or sale of permit rights must be done in accordance with applicable regulations, including but not limited to 30 CFR 740.13{e} and R645-303-300.
- Sec. 6** **RIGHT OF ENTRY** - The permittee shall allow the authorized representative of the Division, including but not limited to inspectors, and representatives of the Office of Surface Mining Reclamation and Enforcement (OSM), without advance notice or a search warrant, upon presentation of appropriate credentials and without delay to:
 - (a)** have the rights of entry provided for in 30 CFR 840.12, R645-400-220, 30 CFR 842.13 and R645-400-110;
 - (b)** be accompanied by private persons for the purpose of conducting an inspection in accordance with R645-400-100 and R645-400-200

when the inspection is in response to an alleged violation reported to the Division by a private person.

Sec. 7 **SCOPE OF OPERATIONS** - The permittee shall conduct underground coal mining activities only on those lands specifically designated as within the permit area on the maps submitted in the approved plan and approved for the term of the permit and which are subject to the performance bond.

Sec. 8 **ENVIRONMENTAL IMPACTS** - The permittee shall take all possible steps to minimize any adverse impact to the environment or public health and safety resulting from noncompliance with any term or condition of the permit, including, but not limited to:

- (a) Any accelerated or additional monitoring necessary to determine the nature of noncompliance and the results of the noncompliance;
- (b) Immediate implementation of measures necessary to comply; and
- (c) Warning, as soon as possible after learning of such noncompliance, any person whose health and safety is in imminent danger due to the noncompliance.

Sec. 9 **DISPOSAL OF POLLUTANTS** -The permittee shall dispose of solids, sludge, filter backwash or pollutants in the course of treatment or control of waters or emissions to the air in the manner required by the approved Utah State Program and the Federal Lands Program which prevents violation of any applicable state or federal law.

Sec. 10 **CONDUCT OF OPERATIONS** - The permittee shall conduct its operations:

- (a) In accordance with the terms of the permit to prevent significant, imminent environmental harm to the health and safety of the public; and
- (b) Utilizing methods specified as conditions of the permit by the Division in approving alternative methods of compliance with the performance standards of the Act, the approved Utah State Program and the Federal Lands Program.

- Sec. 11** **EXISTING STRUCTURES** - As applicable, the permittee will comply with R645-301 and R645-302 for compliance, modification, or abandonment of existing structures.
- Sec. 12** **RECLAMATION FEE PAYMENTS** - The operator shall pay all reclamation fees required by 30 CFR Part 870 for coal produced under the permit, for sale, transfer or use.
- Sec. 13** **AUTHORIZED AGENT** - The permittee shall provide the names, addresses and telephone numbers of persons responsible for operations under the permit to whom notices and orders are to be delivered.
- Sec. 14** **COMPLIANCE WITH OTHER LAWS** - The permittee shall comply with the provisions of the Water Pollution Control Act (33 USC 1151 et seq.), and the Clean Air Act (42 USC 7401 et seq.), UCA 26-11-1 et seq., and UCA 26-13-1 et seq.
- Sec. 15** **PERMIT RENEWAL** - Upon expiration, this permit may be renewed for areas with the boundaries of the existing permit in accordance with the Act, the approved Utah State Program and the Federal Lands Program.
- Sec. 16** **CULTURAL RESOURCES** - If, during the course of mining operations, previously unidentified cultural resources are discovered, the permittee shall ensure that the site(s) is not disturbed and shall notify the Division. The Division, after coordination with OSM, shall inform the permittee of necessary actions required. The permittee shall implement the mitigation measures required by Division within the time frame specified by Division.
- Sec. 17** **APPEALS** - The permittee shall have the right to appeal as provided for under R645-300-200.
- Sec. 18** **SPECIAL CONDITIONS**- There is a special condition described in Attachment A.

The above conditions (Secs. 1-17) are also imposed upon the permittee's agents and employees. The failure or refusal of any of these persons to comply with these conditions shall be deemed a failure of the permittee to comply with the terms of this permit and the lease. The permittee shall require his agents, contractors and subcontractors involved in activities concerning this permit to include these conditions in the contracts between and among them. These conditions may be revised or amended, in writing, by the mutual consent of the Division and the permittee at any time to adjust to changed conditions or to correct an oversight. The Division may amend

Permit
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these conditions at any time without the consent of the permittee in order to make them consistent with any federal or state statutes and any regulations.

THE STATE OF UTAH

By: Lawrence P. Brubaker

Date: 1-3-2000

I certify that I have read, understand and accept the requirements of this permit and any special conditions attached.

PERMITTEE

Authorized Representative of Permittee

Date

ATTACHMENT "A"

SPECIAL CONDITION

1. Castle Gate Holding Company will submit the water quality data to the Division into the required electronic format (EDI) by first quarter 2000.

PERMIT RENEWAL FINDINGS

Castle Gate Holding Company
Castle Gate Mine
ACT/007/004
Carbon County, Utah

December 24, 1999

1. The permit renewal term will not exceed the original permit term of five years (R645-303-234).
2. The terms and conditions of the existing permit are being met. (R645-303-233.110). (See existing TA)
3. The present coal mining and reclamation operations are in compliance with the environmental protection standards of the Act and the Utah State Program (R645-303-233.120).
4. The requested renewal will not substantially jeopardize the operator's continuing ability to comply with the Act and the Utah State Program (R645-303-233.130).
5. The operator has provided evidence of having liability insurance (Old Republic Insurance Company - RMGL61221972)(R645-303-233.140).
6. The operator has posted adequate reclamation sureties in the required amount and has provided evidence that the sureties will remain in full effect. (Three sureties add up to the total amount of \$1,804,000: \$601, 333 is posted by St. Paul Fire and Marine Insurance Insurance Company - Bond Number KA2990-148; \$601,333 is posted by National Union Fire Insurance Company of Pittsburgh, PA - Bond Number 2100677-148; \$601,334 is posted by travelers Casualty and Surety Company - Bond Number 103198931-148. (R645-303-233.150).
7. The operator has submitted all applicable, revised or updated information as required by the Division at this time. (R645-303-233.160).



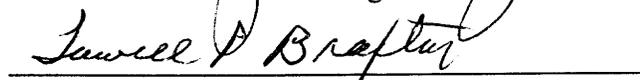
Permit Supervisor



Permit Supervisor



Associate Director of Mining



Director

PERMITTING CHRONOLOGY

Castle Gate Holding Company
Castle Gate Mine
Permit Renewal
ACT/007/004
Carbon County, Utah

December 24, 1999

- August 24, 1999 Castle Gate Holding Company submitted a permit renewal application for the Castle Gate Mine.
- October 22, 1999 Determination of Administrative Completeness for this permit renewal application. Permit renewal completeness determination sent to applicable state, federal, and county agencies.
- November 2, 9, 16
and 23, 1999 Public notice for permit renewal for the Castle Gate Mine Plant published in the Sun Advocate.
- December 20, 1999 AVS identifies no issues.
- December 24, 1999 Permit Renewal is issued to Castle Gate Mine.

The permit was transferred from Amax Coal Company to Amax Coal Holding Company on July 3, 1996 (a name change to Amax Coal Company was approved on November 12, 1996.) Phase I bond release at Sowbelly was approved on January 31, 1997. A permit transfer from Amax Coal Company to Castle Gate Holding Company was approved on September 11, 1998. Currently the mine has no plans to conduct any mining activity, but is actively reclaiming Hardscrabble Canyon. The Adit # 1 area is yet to be reclaimed.

PERMIT RENEWAL

Castle Gate Holding Company made application to the Division of Oil Gas and Mining for this five year permit renewal on August 24, 1999. The renewal application was determined administratively complete on October 22, 1999. Public notice for this permit renewal was published in the Sun Advocate on November 2, 9, 16 and 23 1999.

ANALYSIS

Requisite information for the permit renewal application was made and all notices were published as required. No comments were received.

The bond amount was found adequate in 1998 and does not need adjustment at this time.

RECOMMENDATION

Approval for this permit renewal is recommended with one condition: (1)"Castle Gate Holding Company will submit the water quality data in the Division's electronic format (EDI) by the first quarter of 2000."

ADMINISTRATIVE OVERVIEW

Castle Gate Holding Company
Castle Gate Mine
Five Year Permit Renewal
ACT/007/004
Carbon County, Utah

December 24, 1999

BACKGROUND

The Castle Gate Mine Complex is located approximately 10 miles north of Price, Utah and in the Wasatch Plateau Coal Cliff fields in Carbon County. The complex consists of various separate areas including: the Hardscrabble Mine facilities (under reclamation currently), the Sowbelly site (reclaimed with Phase I bond release), the Eastern Coal Reserves and the Adit #1 Mine. Areas that were previously in the complex (the Schoolhouse Canyon Refuse Area, the Castle Gate Wash Plant, Crandall Canyon, and Gravel Canyon topsoil Area) were split from the Castle Gate permit and made part of the new Willow Creek Mine permit area in 1997.

This area has a history of various mining operations producing coal since the turn of the century. Consolidated mining activities began in 1971, conducted by the Braztah Corporation, which in turn became the Price River Coal Company on December 1, 1979. Castle Gate Coal Company obtained right to mine the western reserve and transferred the permit on May 30, 1986.

The initial permit was issued on December 24, 1984. In 1989, the Division granted a one-year permit extension to Castle Gate Coal Company to address many technical deficiencies. Due to the mine going into temporary cessation, the repermitting during the 1990 permit renewal was an arduous process. The Division issued the permit renewal on December 24, 1990 (but the permit would expire on December 24, 1994.) A special condition was attached that the Permittee had to comply with a comprehensive 25-item Division Order.

On May 25, 1991, the Division approved the permit transfer from Castle Gate Coal Company to Amax Coal Company. Reclamation commenced in 1992, On portions of the mine site, (Sowbelly Canyon).

In May 1995 the Division received an application from Cyprus Plateau Mining Corporation to permit the Eastern Coal Reserves and a portion of the Castle Gate Mine as a new mine called Willow Creek. In April 1996 the Willow Creek Mine was permitted and for a period of time the Castle Gate and Willow Creek mines had overlapping permit boundaries. In June of 1997 the two mines were split apart which left the Castle Gate Mine with the Sowbelly sit, the Hardscrabble Mine Facilities, and the Adit # 1 area.

UTAH DIVISION OF OIL, GAS AND MINING
STATE DECISION DOCUMENT

For
PERMIT RENEWAL

Castle Gate Holding Company
Castle Gate Mine
ACT/007/004
Carbon County, Utah

December 24, 1999

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State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
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December 24, 1999

Johnny Pappas, Sr. Environmental Engineer
Castle Gate Holding Company
847 Northwest Highway 191
Helper, Utah 84526

Re: Five-Year Permit Renewal, Castle Gate Holding Company, Castle Gate Mine,
ACT/007/004-99PR, Folder #3, Carbon County, Utah

Dear Mr. Pappas:

The permit renewal for the Castle Gate Mine is approved. Enclosed are two (2) copies of the renewed permanent program permit for the Castle Gate Mine with one condition: 1) "Castle Gate Holding Company will submit the water quality data to the Division into the required electronic format (EDI) by first quarter 2000."

These permits need to be signed by the designated signatory authority for Castle Gate Holding Company. Please return one signed copy to the Division.

If you have any questions, please call me.

Sincerely,

Lowell P. Braxton
Director

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Enclosures

cc: Ranvir Singh, OSM, WRCC
Price Field Office

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