



State of Utah

Department of
Natural ResourcesROBERT L. MORGAN
*Executive Director*Division of
Oil, Gas & MiningMARY ANN WRIGHT
*Acting Division Director*OLENE S. WALKER
*Governor*GAYLE F. McKEACHNIE
Lieutenant Governor

December 24, 2004

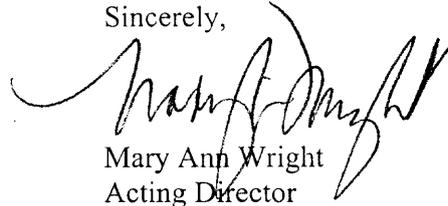
Dennis Ware, Controller
Castle Gate Holding Company
P.O. Box 30
Helper, Utah 84526Re: Five-Year Permit Renewal, Castle Gate Holding Company, Castle Gate Mine, C/007/0004, Outgoing FileDear Mr. Ware: 

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.

Please have both permit signed by the designated signatory authority for Castle Gate Holding Company, then return one signed copy to the Division.

If you have any questions, please call me.

Sincerely,


Mary Ann Wright
Acting Director

Enclosures

cc: Ranvir Singh, OSM, WRCC
Price Field Office

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UTAH DIVISION OF OIL, GAS AND MINING
STATE DECISION DOCUMENT
For
PERMIT RENEWAL

Castle Gate Holding Company
Castle Gate Mine
C/007/0004
Carbon County, Utah

December 24, 2004

CONTENTS

- * Administrative Overview
- * Permitting Chronology
- * Findings
- * Permit
- * Publication Notice
- * AVS Recommendation, memo dated December 15, 2004

ADMINISTRATIVE OVERVIEW

Castle Gate Holding Company
Castle Gate Mine
Five-Year Permit Renewal
C/007/0004
Carbon County, Utah

December 24, 2004

BACKGROUND

Overview

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.

Mining Overview

This area has a history of various mining operations producing coal since the turn of the century. Intensive mining occurred in Hardscrabble Canyon since the 1880's, when Teacum Pratt opened the first operation for house coal. Consolidated mining activities began in 1971, conducted by the Braztah Corporation, which in turn became the Price River Coal Company on December 1, 1979. The coal preparation plant at Castle Gate (now permitted as a Willow Creek Mine facility) began operating in January of 1979, and the plant in Hardscrabble Canyon was dismantled and removed at that time. Coal transportation from the canyon thereafter was by underground conveyor directly to the Castle Gate Coal preparation plant through Adit No. 1 in Price Canyon. The remnants of the preparation plant operation in Hardscrabble Canyon are the large quantities of coal waste materials and refuse which remained in the canyon and had to be covered during reclamation.

No significant operational alterations occurred to the site since 1977, except installation of drainage controls. There are approximately 39 disturbed acres in Hardscrabble Canyon. Castle Gate Coal remodeled the bathhouse and warehouse in 1986. At the north end of the affected area, refuse from the old preparation plant was placed at the intersection of two tributaries to the main ephemeral stream, blocking their flow paths. This area, known as Goose Island, was reclaimed in 1984. The canyon containing Portal No. 4 runs west from the main

canyon. Portal No. 4 was used as an underground access with coal transported by conveyor to a coal loading station at the canyon mouth. Near the mouth and just north of the No. 4 Mine Canyon was a fan portal. The fan portal was in a depression, some 15' below grade.

Just south of the No. 4 Mine Canyon and on the west side of the Hardscrabble Canyon Creek was a bathhouse. The location of the old prep plant was in the main canyon opposite the mouth of the Portal No. 4 canyon. The area adjacent to the old preparation facilities was affected by the spillage of coal or refuse during various phases of the haulage and preparation operations.

South of the old preparation facilities, and 700 feet south of the No. 4 bathhouse, was a warehouse. This warehouse was remodeled to include office space within the existing structure. Above and to the west of the warehouse, is a gully containing the "Dog Flat" storage area. This area was revegetated in 1987 but was regraded in 1996 to reestablish the natural drainage.

Sixteen hundred feet further south from the warehouse and on the east side of the access road was Portal No. 3. Portal No. 3 was located on a bench above the valley floor along with an associated change house and other miscellaneous buildings. The base of the bench is sandstone and the surface is a mixture of silt, sand and gravel. Above the portal was a sandstone cut that is near vertical. To provide safe access from the bottom of the canyon floor to the top of the sandstone bench and the bathhouses, a 60-foot tall enclosed stairway was constructed during 1986.

Across from Portal No. 3, west of the main valley, is a small canyon previously used for an explosives storage area. Several old portals exist in this canyon. This canyon was converted to a 30-car improved parking lot.

Along the length of the main valley floor, portions of the stream channel were affected by surface operations. Prelaw operations apparently discharged process water and fines from the coal washing operations in the preparation plant and, in places, coal waste had been pushed into the channel, sometimes completely blocking flow. The main diversion channel was reconstructed during the summer of 1986.

Reclamation grading started in the Sowbelly Gulch portion of the disturbed area in 1993 and continued through 1995. Phase I bond release at Sowbelly was approved on January 31, 1997 (excluding a substation). The Adit No. 1 area is yet to be reclaimed.

In Hardscrabble Canyon, the Goose Island refuse area was graded and seeded in 1984. Transplants were planted in 1985, and Phase I bond release was given later in 1985. Limited regrading was done in this area in 1999.

The canyon containing the portal for the No. 4 Mine was graded and seeded in 1993. In 1995, additional work was done in this canyon to cover the coal seam and portal and to improve the channel. Demolition of the buildings in the rest of the canyon began in 1995, and reclamation grading started in 1996. This continued through 1999 with additional areas being graded, seeded, and planted each year. The substation in Hardscrabble Canyon was not

reclaimed until 2003 due to the uncertainty of the potential transfer of power needed for the Crandall Canyon area of the Willow Creek Mine.

Permitting Background

The initial permit was issued to the Price River Coal Company on December 24, 1984. Castle Gate Coal Company acquired the right to mine the western reserves and obtained a permit transfer on May 30, 1986. 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. 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 the new Willow Creek Mine. In April 1996, the Willow Creek Mine was permitted, and its permit area overlapped with that of the Castle Gate Mine.

On July 2, 1996, the Castle Gate permit was transferred from Amax Coal Company to Amax Coal Holding Company, which changed its name to Amax Coal Company on August 5, 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. In June of 1997, the Castle Gate and Willow Creek Mines were split apart which left the Castle Gate Mine with the Sowbelly Gulch, Hardscrabble Canyon, and Adit No. 1 areas. The Schoolhouse Canyon refuse area, the Castle Gate Wash Plant, Crandall Canyon, the Gravel Canyon topsoil storage area, and a refuse removal area on a site previously reclaimed by the Abandoned Mine Lands Reclamation program were all transferred to the Willow Creek Mine.

In 1997, AMAX Coal Company, Castle Gate Holding Company's predecessor, received an Earth Day Award from the Board of Oil, Gas, and Mining for "outstanding final reclamation and site restoration". The company was cited for enhancing the postmining land use by restoring the canyon to a more natural configuration and paying particular attention to wildlife habitat while providing more stable water flow channels and better downstream water quality.

The permit was transferred to the current permittee, Castle Gate Holding Company, on September 11, 1998.

These sites have received Phase I and Phase II bond release (except for the substation areas and Adit #1). In 2003, the reclamation at the Hardscrabble Canyon received the national OSM Reclamation Award. Johnny Pappas, the company representative who did the reclamation, received the OSM "Best of the Best" Reclamation Award in October 2003. The current mine permit area includes 7619 acres of which 63 acres are disturbed.

PERMIT RENEWAL

Castle Gate Holding Company made application to the Division of Oil Gas and Mining for this five - year permit renewal on August 20, 2004. The renewal application was determined administratively complete on September 2, 2004. Public notice for this permit renewal was published in the Sun Advocate on September 16, 23, 30 and October 7, 2004.

ANALYSIS

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

The bond amount is currently at \$680,154 (\$390,846 was released in May 2003 for Phase II). This bond amount is adequate.

RECOMMENDATION

Approval for this permit renewal is recommended.

PERMITTING CHRONOLOGY

Castle Gate Holding Company
Castle Gate Mine
Permit Renewal
C/007/0004
Carbon County, Utah

December 24, 2004

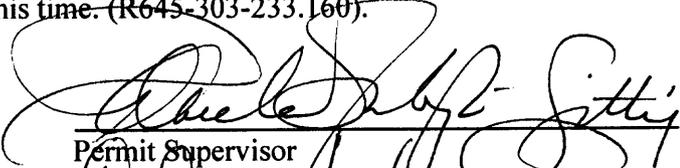
August 20, 2004	Castle Gate Holding Company submitted a permit renewal application for the Castle Gate Mine.
September 2, 2004	Determination of Administrative Completeness for this permit renewal application.
September 10, 2004	Permit renewal completeness determination sent to applicable state, federal, and county agencies.
September 16, 23, 30, and October 7, 2004	Public notice for permit renewal for the Castle Gate Mine published in the <u>Sun Advocate</u> .
November 7, 2004	No comments received.
December 15, 2004	AVS check.
December 24, 2004	Permit Renewal is issued to Castle Gate Mine.

PERMIT RENEWAL FINDINGS

Castle Gate Holding Company
Castle Gate Mine
C/007/0004
Carbon County, Utah

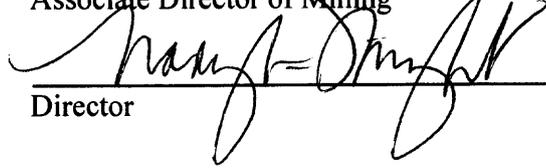
December 24, 2004

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 (Insurance Corporation of Hannover with the policy number of ICH - GL137-04)(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. (The surety in the amount of \$680,154 is posted by Travelers Casualty and Surety Company, Bond Number 104329369. (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

FEDERAL

PERMIT
C/007/0004

December 24, 2004

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 \$680,184, 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: AllSection 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 coal mining and reclamation operations 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, 2009.

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 designated person 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 the Division within the time frame specified by the 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. 1-18) 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 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



Mary Ann Wright, Acting Director

Date: 12/23/2004

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

Authorized Representative of the Permittee

Date: _____

ATTACHMENT "A"

SPECIAL CONDITION

1. Castle Gate Holding Company will submit water quality data for the Castle Gate Mine in an electronic format through the Electronic Data Input web site, <http://linux1.ogm.utah.gov/cgi-bin/appx-ogm.cgi>.