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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

Outgoing
C0070004
#3367
R

December 14, 2009

Dennis Ware, Controller
Castle Gate Holding Company
P.O. Box 30
Helper, Utah 84526-0030

Subject: Five-Year Permit Renewal, Castle Gate Mine, Castle Gate Holding Company, C/007/0004, Task #3367, Outgoing File

Dear Mr. Ware:

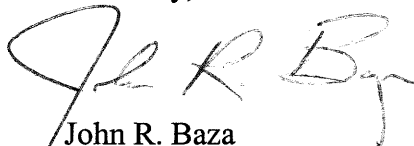
The permit renewal for the Castle Gate Mine is approved. Enclosed are two (2) copies of the renewed permanent program permit for the Castle Gate Mine.

A corrected Certificate of Insurance and an Exhibit "D", Stipulation to Revise Reclamation Agreement is requested. Please contact Angela Nance at (801)538-5264 to obtain the necessary information and documents.

Please have both permits 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 Daron R. Haddock at (801)538-5325.

Sincerely,



John R. Baza
Director

JRB/DRH/sqs

Enclosures

cc: James Fulton, OSM
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 14, 2009

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ADMINISTRATIVE OVERVIEW

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

December 14, 2009

PROPOSAL

Castle Gate Holding Company has made application to renew the permit for the Castle Gate Mine for an additional 5 year term. This renewal encompasses the same area as the previous 5 year permit and will be in place solely for the completion of the reclamation work at this site.

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 (reclaimed with Phase I & II bond release), the Sowbelly site (reclaimed with Phase I & II bond release), the Eastern Coal Reserves and the Adit #1 Mine (reclaimed with Phase I bond release). 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).

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.)

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 and the Gravel Canyon topsoil storage area 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.

All of the Castle Gate sites have received Phase I and Phase II bond release (except for the substation areas and Adit #1 which have only received Phase I release). 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. Phase I Bond Release was approved on March 20, 2006 for Sowbelly and Hardscrabble substations and Adit #1. The current mine permit area includes 7619 acres of which 62.42 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, 2009. The renewal application was determined administratively complete on August 27, 2009 at which time notice of the pending renewal was provided to all applicable agencies. Public notice for this permit renewal was published in the Sun Advocate on September 24 and 31, October 8 and 15, 2009.

ANALYSIS

Requisite information for the permit renewal application has been provided and all notices were published as required. No comments were received.

The bond amount is currently at \$490,100 (Bond amount reduced in March 2006 for Phase I Bond Release). This bond amount is determined to be adequate to complete all remaining reclamation work at the site in the event of forfeiture.

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 14, 2009


August 20, 2009	Castle Gate Holding Company submitted a permit renewal application for the Castle Gate Mine.
August 27, 2009	Determination of Administrative Completeness for this permit renewal application.
August 27, 2009	Permit renewal completeness determination sent to applicable state, federal, and county agencies.
September 24, 31, and October 8, 15, 2009	Public notice for permit renewal for the Castle Gate Mine published in the <u>Sun Advocate</u> .
November 16, 2009	Comment period ends. No comments received.
December 14, 2009	AVS check.
December 24, 2009	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 14, 2009


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 (Steadfast Insurance Company with the policy number of BOG5086545-04)(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 \$490,100 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



Associate Director of Mining



Director