



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

Michael O. Leavitt
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December 17, 1993

Mr. Ken Payne, Manager
Utah Fuel Company
P. O. Box 719
Helper, Utah 84526

RE: Inadequate Response to D093A, Coastal States Energy Company,
Skyline Mine, ACT/007/005, Folder #3, Carbon County, Utah

Dear Mr. Payne:

The Division has completed a review of your revised Chapter 1 information received on November 24, 1993 in response to Division Order 93A. A number of deficiencies have been identified with your submittal. Therefore, it cannot be approved at this time. You should be aware that you are still under obligation to provide the appropriate ownership and control information. Also, that information must correlate with information provided for the SUFCO, Soldier Creek, and Banning Permits.

Please review the enclosed memo which discusses the remaining deficiencies in your plan. You should respond by no later than January 17, 1994.

If you have questions, please call me or Paul Baker.

Sincerely,

A handwritten signature in cursive script that reads "Daron R. Haddock".

Daron R. Haddock
Permit Supervisor

DRH
Enc.

cc: P. Baker





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TO: File

THROUGH: Daron Haddock, Permit Supervisor

FROM: Paul Baker, Reclamation Biologist 

DATE: December 16, 1993

RE: Response to Division Order 93A, Coastal States Energy Company, Skyline Mines, Folder #2, ACT/007/005, Carbon County, Utah

SUMMARY

By letter dated November 22, 1993, and received by the Division November 24, 1993, Coastal States Energy submitted a response to Division Order 93A. The Division Order was dated October 22, 1993, and required a complete application for permit change within 30 days of the date of the order, November 21, 1993.

The response is not considered adequate to address the requirements of the order. There are many discrepancies between this submittal and recently-received submittals from other Coastal States Energy Company operations. The letter from James Carter accompanying the order said that information for all four of Coastal's Utah operations should correlate. The order specifically mentions including corporate officers' beginning dates, and this has not been done for Utah Fuel Company, Skyline Coal Company, and Coastal States Energy Company. The response does not address regulations R645-301-113 and R645-301-114 which were cited in the order. Additional information or explanation is required under R645-301-113, Violation Information.

ANALYSIS

R645-301-112

Identification of Interests

Proposal:

Utah Fuel Company, a wholly-owned subsidiary of Coastal States Energy Company, operates the Skyline Mines. These mines are owned by Coastal States Energy Company and Skyline Coal Company, the permittees. Coastal States Energy Company is a wholly-owned subsidiary of The Coastal Corporation, and Skyline Coal Company is a wholly-owned subsidiary of Coastal States Energy Company.



Coastal States Energy owns three other mining and reclamation operations. These are the Convulsion Canyon Mine, the Soldier Creek Mine, and the Banning Loadout. The application shows the officers and boards of directors of Virginia Iron, Coal and Coke Company; Coastal Natural Gas Company; American Natural Resources Company; ANR Coal Company; and The Coastal Corporation. Only officers are shown for Utah Fuel Company, Skyline Coal Company, and Coastal States Energy Company. The application also includes the names and other identifying information for several affiliated coal mining and reclamation operations.

Analysis:

The permittee for the Skyline Mines is Coastal States Energy Company. Skyline Coal Company is not a permittee as this application for permit change says.

Neither the current plan nor the application for permit change identifies the person that will pay the abandoned mine reclamation fee.

I compared permit numbers of affiliated operations shown in the Skyline and SUFCO responses to the Division Order. No differences were found. There were numerous operations listed in the Skyline submittal that were not included in the Soldier Creek submittal of Chapter 1, however, and Soldier Creek's submittal of Chapter 1 contained two permit numbers not included in Skyline's. Those in Soldier Creek's application for permit change that are not in Skyline's are SMA-2004-93 and SMA-2005-93. Skyline should check to see if these operations need to be listed in their plan.

In the review of the Soldier Creek version of Chapter 1, there were several differences noted in ownership and control compared to the Skyline version. The following discussion is taken from that review:

There are several differences in officers and corporate structure between the Soldier Creek and Skyline versions of Chapter 1. The Skyline version does not show a board of directors for Coastal States Energy Company but says that Coastal States Energy is in common control with ANR Coal Company. Three people shown on the board of directors of Coastal States Energy in Soldier Creek's version, James Van Lanen, Austin O'Toole, and David Arledge, are shown as officers of Coastal States Energy in the Skyline plan. Two others, O. S. Wyatt and Harold Burrow, are listed as members of the board of directors of Coastal States Energy in the Soldier Creek plan but are not shown as officers in the Skyline plan. They are shown as officers or members of the boards of directors of affiliated or parent companies, however.

In the Skyline version, officers of Coastal States Energy include Robert Holsclaw, Robert Moss, Charles Oglesby, Dale Shultz, Kirk Weinert, Fred Gray,

Ronald Matthews, James Rauch, Fred Hallman, and J. W. Knowles. None of these people are listed as officers of Coastal States Energy in the Soldier Creek version although all but Robert Moss are listed as officers of affiliated companies.

The only difference between the two versions of Chapter 1 in the officers and board of directors of The Coastal Corporation is that James M. Rauch is listed in the Soldier Creek plan but not in Skyline's.

The SUFCo plan also includes a board of directors for Coastal States Energy Company. Comparing Skyline's application with SUFCo's plan and application, there are differences in listed officers of Coastal States Energy. People listed as officers of Coastal States Energy in the Skyline application but not in SUFCo's plan or application are:

Fred Gray
Fred Hallman
J. W. Knowles
Ronald Matthews
Robert Moss

Charles Oglesby
James Rauch
Dale Shultz
Kirk Weinert

Harold Burrow, James Paul, and O. S. Wyatt are shown as members of the board of directors of Coastal States Energy in SUFCo's plan but are not listed as officers in Skyline's application. The other three members of the board of directors shown in SUFCo's plan are shown as officers of Coastal States Energy in Skyline's application.

There are also differences in the directors and officers of The Coastal Corporation between the SUFCo plan and application for permit change and the Skyline application for permit change. John Connally is shown as a member of the board of directors in the SUFCo plan but is not shown as an officer or director in the Skyline application. Officers included in the SUFCo plan or application but not included in the Skyline application include Pauletta Cohn, Robert Moss, and James Paul.

As discussed in the Soldier Creek review, it is not clear whether the officers and directors of American Natural Resources Company, Coastal Natural Gas Company, and Virginia Iron, Coal and Coke Company own or control Coastal States Energy Company. The application is clear that these companies own or control other coal mining and reclamation operations affiliated with Skyline, but the officers and directors of these companies may not own or control Skyline. If not, these pages could be eliminated from Skyline's plan. Coal mining and reclamation operations associated with these companies still need to be listed since many people that own or control Skyline also own or control these companies. If the officers and directors of these companies own or control Skyline, then they would also need to be listed in the SUFCo plan.

The application needs to include the dates positions were assumed for the officers and directors of Utah Fuel Company, Skyline Coal Company, and Coastal States Energy Company.

Deficiencies:

1. The plan needs to identify the person that will pay the abandoned mine reclamation fee.
2. The plan needs to properly identify the permittee as Coastal States Energy Company.
3. The plan needs to include ownership and control information in compliance with R645-301-112 and the requirements of Division Order 93A. Information contained in the Skyline plan needs to be correlated with that contained in the plans of Coastal States Energy's other operations.

R645-301-113

Violation Information

Proposal:

No new information was received in response to the Division Order.

Analysis:

The Division Order required that the permittee provide an amendment that fully provides the information required by this regulation. The current plan says that neither the companies nor any major stockholder of any company having any interest, either legal or equitable, in the Skyline Mines has had a State or Federal mining permit suspended or revoked or a security deposit in lieu of bond revoked.

The information on permits of affiliated operations provided in the application shows several whose statuses are "forfeit". The current plan does not say that affiliated companies have not forfeited a performance bond; it says that associated operations have not had a security deposit in lieu of bond revoked. This needs to be discussed in the plan. If affiliated companies have forfeited performance bonds, the information and explanation required by R645-301-113.200 needs to be included in the plan.

Neither the current plan nor the application contains information about unabated cessation orders or air and water quality violations received by affiliated companies. If there are none, the plan should make this statement.

Deficiencies:

1. The plan needs to identify any coal mining and reclamation operations under common ownership and control with Skyline where the performance bond has been forfeited. If there are operations where the bond has been forfeited, the plan needs to contain the information required in R645-301-113.200.
2. The plan needs to list any unabated cessation orders or air and water quality violations received by any coal mining and reclamation operation owned or controlled by either the applicant or by any person who owns or controls the applicant.

R645-301-114

Right of Entry

Proposal:

The response to the Division Order did not address this regulation.

Analysis:

The current plan contains descriptions of the documents, including dates of execution, upon which the permittee bases its right to enter and conduct mining and reclamation operations. There are some areas along the lower portion of the overland conveyor where the permit areas of Coastal and Valley Camp (White Oak) overlap. White Oak is expected to correct this problem after the Valley Camp permit is transferred.

Deficiencies:

None.

RECOMMENDATIONS:

This application for permit change should be denied. The requirements of Division Order 93A have not been met. Skyline needs to coordinate with SUFCo and Soldier Creek to determine the officers and directors of controlling companies. Where the statuses of affiliated companies are listed as "forfeit", the plan needs to contain an explanation and possibly the information required by R645-301-113.200. Also, any unabated cessation orders or air and water quality violations received by any coal mining and reclamation operation owned or controlled by either the applicant or by any person who owns or controls the applicant need to be listed. If there are none, the plan should contain a statement to that effect.