0037

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Price Field Office
125 South 600 West
Price, Utah 84501

3410
(UT-070)

Mr. Mark Bunnell
Canyon Fuel Company, LLC
Skyline Mine
P.O. Box 719
Helper, Utah 84526

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JAN 15 1999
DIV. OF OIL, GAS & MINING

JAN 13 1999

ACT/007/005 #2
Copy Over Joe & PFO

Dear Mr. Bunnell:

Canyon Fuel Company's coal exploration plan of August 5, 1997, on Federal coal leases U-0147570 and U-044076 is approved as submitted, subject to the following conditions:

1) All the enclosed Bureau of Land Management (BLM) drilling stipulations will be followed.

2) The enclosed Forest Service stipulations (Appendix A) will be followed.

3) The present LMU bond of 2.67 million dollars will be sufficent to cover the $28,000 required for plugging procedures and surface reclamation of the drill sites.

If you have any questions regarding this matter, please contact Don Stephens of my staff at 435-636-3608.

Sincerely,

MARK E. BAILEY

Richard L. Manus
Field Manager

2 Enclosures
1. BLM Stipulations (3 pp)
2. Forest Service Stipulations (4 pp)

cc: UT-930, Alan Rabinoff, Utah State Office (w/Enclosures)
UT-930, J. Kohler, Utah State Office (w/Enclosures)
UT-932, R. Lopez, Utah State Office (w/Enclosures)
Janette Kaiser (USFS) (w/Enclosures)
Manti-LaSal National Forest
599 Price River Drive
Price, Utah 84501
Pamela Grubaugh-Littig (UDOGM) (w/Enclosures)
Division of Oil, Gas and Mining
1594 West North Temple Street
P. O. Box 145801
Salt Lake City, Utah 84114-5801

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Bureau of Land Management Stipulations

1. Canyon Fuels Co. (CFC) is responsible to see that all personnel contracted or otherwise doing work on the exploration program are aware of these approval requirements and abide by all regulations governing this program. Any changes to the approved exploration plan must receive approval from the Authorized Officer prior to implementation.

2. When artesian flows or horizons with possible development potential are encountered, the Authorized Officer shall be notified immediately. When possible, water samples shall be collected by the operator for analysis by the BLM. A written report is required upon completion of exploration as noted by Stipulation 6 H.

3. The Authorized Officer representing the BLM shall be notified 24 hours prior to setting surface and\or intermediate casing and plugging of wells, so that the BLM may arrange to be present. Each string shall be cemented in the annulus to the surface. The cement slurry mixture used to plug and seal the drill holes shall be mixed in compliance with standard cement mixing tables (e.g. Haliburton). Any variance from this procedure must be approved in advance by the Authorized Officer. In addition, periodic drilling updates on the weekends will be required if the drilling is nearing the cementing phases, so that representatives of the BLM will be made aware of progress.

4. If adverse down-hole conditions prevent a completed drill hole from being properly plugged after attempting all standard industry plugging procedures, the Authorized Officer shall be contacted immediately to make a determination as to a final plugging procedure.

5. The hole location is to be marked by placing an approved marker made of galvanized steel, brass, aluminum or similar noncorrosive metal in the concrete plug. Such markers are to show hole number, year drilled, lessee/licensee name, and as feasible, the section, township, and range in which the hole is located. The top of the concrete plug, if located in a cultivated field must be set below normal plow depth (10 to 12 inches). In noncultivated areas, all marker caps should not protrude above the ground level. All drill holes shall be surveyed in to assure proper location. An exact survey of each drill hole location will be submitted to the Authorized Officer.

6. Upon completion of exploration activities, <u>two copies of each report</u> as required by 43 CFR 3485.1, shall be submitted to the Authorized Officer. The reports at a minimum must contain the following:

A. Location(s) and serial number(s) of lands under Federal lease or license on which exploration was completed.

B. A description of the completed exploration operations that includes the number of holes drilled, total depth of each hole, and completion date of each hole.

C. A map showing the locations of all holes drilled, other excavations, and the coal outcrop lines as appropriate. The scale of the map shall not be less than 1 inch equals 1 mile.

D. Analysis of coal samples and other pertinent tests obtained from exploration operations.

E. Copies of all in-hole mechanical or geophysical stratigraphic surveys or logs, such as electric

logs, gamma ray-neutron logs, sonic logs, or any other logs. The records shall include a lithologic log of all strata penetrated and conditions encountered such as water, gas, or any unusual conditions.

F. Status of reclamation of the disturbed areas.

G. Any other information requested by the Authorized Officer.

H. Hydrologic reports using the attached form.

REPORT OF WATER OBSERVED

Company: _____ Lease/License Number: _____
Address: _____ Drill Hole Number: _____
_____ Date Completed: _____
_____ Total Depth: _____

Company Contact: _____
Phone Number: _____

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Drilling Contractor: _____
Address: _____
_____
_____

Company Contact: _____
Phone Number: _____

Location of Hole: T.__S., R.__E., Section___: ___1/4___1/4___1/4
Hole Elevation: _____ Hole Diameter: _____
Drilling Method: _____
Static Water Level: _____

Aquifer No. 1
Depth Below Ground Elevation: _____ Formation: _____
Rock Type: _____ Yield(GPM): _____
Date Reported to BLM*: _____ Requirements of BLM*: ___
_____ Water Sample Provided to BLM? ____

Aquifer No. 2
Depth Below Ground Elevation: _____ Formation: _____
Rock Type: _____ Yield(GPM): _____
Date Reported to BLM*: _____ Requirements of BLM*: ___
_____ Water Sample Provided to BLM? ____

Aquifer No. 3
Depth Below Ground Elevation: _____ Formation: _____
Rock Type: _____ Yield(GPM): _____
Date Reported to BLM*: _____ Requirements of BLM*: ___
_____ Water Sample Provided to BLM? ____

----------* Refer to Stipulation Number 17

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APPENDIX B
STIPULATIONS

Stipulations to be included in the Coal Drilling Permit/License

1. A pre-work meeting including the responsible company representative(s), contractors, and the Forest Service must be conducted at the project location prior to commencement of operations. Site-specific Forest Service requirements will be discussed at this time.

   The permittee is responsible for acquiring all other necessary permits, such as, but not limited to 404 Permit for wetlands/stream cross, if Alternative 2 is selected.

2. A Road Use Permit must be obtained from the Forest Service before equipment is transported onto National Forest System lands. The location of new roads is subject to Forest Service review and approval. No construction may begin prior to approval. Any modifications or changes to approved locations are also subject to review and approval.

3. All surface disturbing activities including reclamation must be supervised by a responsible representative of the permittee/licensee who is aware of the terms and conditions of the projects permits/licenses. A copy of the appropriate permits/licenses must be available for review at the project site and presented upon demand to any Forest Service official.

4. The Forest must be notified 48 hours in advance that heavy equipment will be moved onto National Forest System lands and that surface disturbing activities will commence.

5. Establishment of campsites and staging areas on National Forest System lands in support of this project is subject to Forest Service approval.

6. The Forest Service must be notified of any proposed alterations to the coal exploration license, seismic lines, and coal exploration plan. Any changes to the existing plan are subject to Forest Service review and approval.

7. Fire suppression equipment must be available to all personnel working at the project site. Equipment must include at least one hand tool per crew member consisting of shovels and pulaskis and one properly rated fire extinguisher per vehicle and/or internal combustion engine.

8. All gasoline, diesel, and steam-powered equipment must be equipped with effective spark arresters or mufflers. Spark arresters must meet Forest Service specifications discussed in the "General Purpose and Locomotive (GP/L) Spark Arrester Guide, Volume 1, April, 1988"; and "Multi-position Small Engine (MSE) Spark Arrester Guide, April, 1989". In addition, all electrical equipment must be properly insulated to prevent sparks.

9. The permittee/licensee will be held responsible for damage and suppression costs for fires started as a result of operations. Fires must be reported to the Forest Service as soon as possible.

10. The Forest Service reserves the right to suspend operations during periods of high fire potential.

11. Water needed in support of operations must be properly and legally obtained according to Utah State water laws. The location of diversions, if on National Forest System lands, are subject to Forest Service review and approval. Water diversion structures, if needed, must be constructed as specified by the Forest Service.

12. Unauthorized off-road vehicular travel is prohibited.

13. Section corners or other survey markers, including claim corners, in the project area must be located and flagged for preservation prior to commencement of surface disturbing activities. The removal, displacement, or disturbance of markers must be approved by the proper authority. Replacement will be done by the proper authority at the expense of the permittee/licensee.

14. If cultural or paleontological resources are discovered during operations, all operations which may result in disturbance to the resources must cease and the Forest Service must be notified of the discovery.

15. Gates must be closed after entry unless otherwise specified.

16. The permittee/licensee will be held responsible for all damage to fences, cattleguards, resource improvements, roads, and other structures on National Forest System lands which result from their operations. The Forest Service must be notified of damages as soon as possible.

17. All construction, drilling, and seismic operations (including helicopter operations if alternative 3 is selected) must be coordinated with grazing permittees to prevent conflicts.

18. Harassment of wildlife and livestock is prohibited.

19. Topsoil must be stripped from areas occupied by parked vehicles and mud pits and stockpiled for use during reclamation. Topsoil stockpiles will be located to minimize contamination or loss. Rock material will be stockpiled separately.

20. Drill pads will be designed to prevent or diminish overland flow from entering the site during precipitation events. Pad sites will be sloped to drain all spills and on-sites precipitation into the mud pits. If necessary, pits will be pumped out to reduce their content and insure that overflow does not occur. Fluids will be disposed of off Forest at a Utah State approved disposal site.

21. All drilling fluids, mud and cuttings must be contained on the project site in mud pits or portable containers. The pit must not be used for disposal of garbage, trash or other refuse. Unattended pits will be fenced to keep out livestock and wildlife.

22. During the drilling operations all trash, garbage and other refuse must be properly contained on the project site prior to disposal at authorized sites.

23 All significant water encountered during drilling must be reported to the Forest Service, including the depth and formation at which it was encountered, and an estimate of the flow.

24. If any of the drill holes encounter artesian groundwater flow, the District Ranger must be notified prior to plugging the hole to determine whether or not the Forest Service would elect to establish a permanent water development at the site.

25. All drill holes must be plugged in accordance with Federal and State regulations.

26. The operator must clean up and remove all drilling equipment, trash, garbage, flagging, vehicles and other such materials from National Forest System lands.

27. Disturbed areas must be reclaimed by the end of the field season. Exceptions require Forest Service approval.

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28. The project, including reclamation is to be completed within the two field seasons proposed (1998-1999). Temporary roads will be recontoured by using the existing fill material available, then retopsoiled and unauthorized entry discouraged through the use of fences and trees laid across the reclaimed surface as appropriate. All holes should be drilled, reclamation completed and access adequately blocked by the opening day of the general elk hunt. If additional time is needed the Forest Service should be advised so the permit can be amended.

29. Drill rigs and heavy equipment (not including water trucks) must not be transported in or out of the project areas during the opening weekend of the general elk hunt nor during the opening weekend of the general deer hunt and during holiday weekends. The water truck must be preceded by a pilot vehicle when hauling water for the project during the hunting season or on holiday weekends.

    If alternative 3 is selected, helicopter operations will not be permitted during the general hunting seasons for deer and elk.

30. Contaminated soil and gravel must be stripped and hauled off Forest prior to site reclamation.

31. Mud pits must be allowed to dry or pumped before they are backfilled and reclaimed. If pumped, fluids will be disposed off Forest, at a Utah State approved site. They must be enclosed by a 4-strand barbed wire fence while they are left to dry.

32. Drill sites, roads to be obliterated, and mud pits when they are dry, must be reclaimed by selectively backfilling excavated materials, topsoil last, such that the disturbed area is replaced to approximate original contour. The disturbed area must be seeded with the specified seed mix.

33. Upon completion of the project, compacted soils must be scarified and seeded with the specified seed mix.

34. All disturbed drainages must be replaced to their approximate original configuration when the project area is reclaimed.

35. The reclaimed roads must be signed and blocked off to prevent vehicle access by the public.

36. Reclamation efforts will be diligently pursued to insure that a minimum ground cover is established on all disturbed areas. Revegetation will be considered successful when 90% of the predisturbance ground cover is re-established over the entire disturbed area, with no noxious weeds. Adjacent undisturbed areas will be used as a basis for comparison of ground cover. Of the vegetative ground cover, at least 90% must consist of seeded or other desirable species. The 90% of pre-disturbance ground cover must be maintained for three years.

37. Seeding will be done with the following certified seed mix:

Species	pounds/acre
Intermediate Wheatgrass - Agropyron intermedium	4
Orchard Grass - Dactylis glomerata	3
Slender Wheatgrass - Agropyron trachycaulum	4
Crested Wheatgrass - Agropyron cristatum	2
Ladak Alfalfa - Medicago sativa ladak	1
Yellow Sweet Clover - Meliotus officinalis	1
Small Burnett - Sanguisorba minor	1
Perennial Ryegrass - Lolium perenne	1

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This seed mixture must comply with the Utah Seed Act.

38. The operator will be held responsible for control of noxious weed infestations found to be a result of this drilling operation.

39. Timber removed during the project that meets sawlog utilization standards (minimum 8 inch diameter, 8 feet long, and 33 1/3 % sound) will be removed from the area by the permittee. Timber not meeting sawlog utilization standards will be used to the maximum extent possible for access restrictions and surface cover.

40. Outside berms will not be constructed on any roads.

41. The operator/agent will immediately notify the Forest Service should raptor nests be discovered.

42. Any dogs in the project area must be under control at all times.

43. Snag trees with cavities for nesting, or broken tops will not be disturbed.

44. Temporary roads are to be closed to the general public. Signs must indicate:
" Road Closed, Access by Permit Only "

45. Stipulation for Lands of the National Forest System Under Jurisdiction of the Department of Agriculture.

The licensee/permittee/lessee must comply with all the rules and regulations of the Secretary of Agriculture set forth at Title 36, Chapter II, of the Code of Federal Regulations governing the use and management of the National Forest System (NFS) when not inconsistent with the rights and regulations must be complied with for (1) all use and occupancy of the NFS prior to approval of a permit/operation plan by the Secretary of the Interior, (2) uses of all existing improvements, such as Forest Development Roads, within and outside the area licensed, permitted or leased by the Secretary of the Interior, and (3) use and occupancy of the NFS not authorized by a permit/operating plan approved by the Secretary of the Interior.

All matters related to this stipulation are to be addressed to the authorized representative of the Secretary of Agriculture, the Forest Supervisor.

to: Forest Supervisor
at: Manti-La Sal National Forest
599 West Price River Drive
Price, Utah 84501

Telephone: (801) 637-2817

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Stipulations to be Included in the Road Use Permit

46. Roads must not be used when they are wet and susceptible to damage.

47. The permittee is responsible for repair of any damages to roads which are caused by his operations.

48. All traffic must maintain safe speeds commensurate with existing conditions.

49. Roads must be watered if dust becomes a problem or if excessive loss of road material occurs.