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

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November 7, 2001

J. Craig Smith, Esq.
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Eagle Gate Plaza, Suite 1100
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Dear Mr. Smith:

I am responding to your September 28, 2001 letter, and your October 11 fax, both of which address the anomalous ground water inflows that have recently been encountered at the Skyline Mine. I share your concern that the provisions of the Utah Coal Regulatory Program be addressed by Canyon Fuel Company, the Permittee at the Skyline Mine. I understand your concern that water rights not be impacted but cannot address these issues, as they are the domain of the State Engineer. Accordingly, the following will respond to issues that you raised that lie within the domain of this Division's Coal Regulatory Program.

Page 4 of your September 28 letter asks if water monitoring is being conducted in the mine area, and asks if impacts to springs or seeps above and near the mine have been delineated. The Mining and Reclamation Plan (MRP) has an established water monitoring plan that will help determine if the subject anomalous inflows are interrupting or changing the chemical nature of surrounding springs and streams. To date, I am not aware of any attributable impacts. That notwithstanding, on August 21, Division management and hydrologists met with counterparts from the Skyline Mine to address the discrepancies to the MRP that the unanticipated water inflows to the mine dictated. High on the priorities for this discussion was the need to modify the Probable Hydrologic Consequences document (PHC). When approved by the Division, these proposed changes to the PHC will constitute the basis for a modified Cumulative Hydrologic Impact Assessment (CHIA).

Should a factual determination be made that contamination, diminution or interruption of state appropriated waters has occurred as a function of these anomalous inflows, or other mine related activities, you are aware, I am sure, that the Division's water replacement rules will apply.

There are several sarcastic statements in the later pages of your September 28 letter concerning the adequacy of the MRP that I will not respond to. Nor will I attempt to respond to your characterization of the hydrologic situation as reported in several local newspapers. While you are entitled to your own opinion as to the adequacy of any state action, please be advised that

the geology and hydrology contributing to the current inflow situation differs from that encountered in nearly 20 years of intense mining activity at Skyline. In recognizing this, I am not minimizing the potential seriousness of what is taking place there. However, as the interrelated ground water geology and structural geologic settings that have contributed to this anomalous situation at Skyline become better understood, I am confident that the predictive modeling needed for good PHC's and CHIA's will improve accordingly.

As well as requiring a modification of the PHC, the Division is requiring that changes to the MRP that address disposal of the water inflows meet the performance standards of the Utah Coal Program. In order to ensure compliance with the program, the following actions are ongoing:

- The Permittee is modifying the PHC to accurately reflect the current ground water inflow conditions at the mine.
- Division hydrologists and the Division inspector assigned to the mine have been jointly monitoring the situation of the excess water, its disposition, potential connection to surrounding waters and effects on the receiving waters.
- Skyline is conducting an in-mine pilot study and monitoring program to assist in accurately modifying the PHC.
- Skyline personnel believe the aquifer from which the water is emanating lies below the coal seam, and that the mine workings encountered a fault that acts as a conduit to deliver waters upward to the levels being mined.
- In the future, Skyline may drill ahead of mining to more accurately assess what subsurface conditions will be encountered.
- In the current inflow situation, Skyline had to drill into the fault from the surface to discharge water, or face permitting waste water if it came from the mine itself- a Division of Water Quality (DWQ) requirement.
- At the request of the Permittee, DWQ is conducting a permitting action to allow establishment of a UPDES discharge point which, if approved, would allow direct discharge of certain mine waters into Electric Lake. If approved by DEQ, the

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terms and conditions of this permit will be incorporated into the MRP. I hope this helps with your understanding of this complex and serious situation.

Sincerely,

A handwritten signature in cursive script that reads "Lowell P. Braxton".

Lowell P. Braxton
Director

vb

cc: V. Payne, ECPL
D. Pick, Canyon Fuel Co.
H. Thompson
R. Morgan
M. A. Wright

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