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United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155

IN REPLY REFER TO:
3485
U-073120
(U-935)

JUL 26 2002

Certified Mail--Return Receipt Requested

Dan Meadors
Manager Skyline Mine
Canyon Fuel Company, LLC
HC 35 Box 380
Helper, Utah 84526

Income
2/007/005
Copy PAM: Danon
FAX PFO

Re: Federal Coal Lease UTU-073120- Minor Modification for development of access to Federal Coal Lease UTU-67939. Lower O'Connor "A" Seam.

Dear Mr. Meadors:

Background: Skyline Mine has requested approval for mining to proceed into the Winter Quarters Tract (Federal Coal Lease UTU-67939.) BLM granted the approval to mine the first eight crosscuts and requested further information from Skyline Mine. Skyline Mine submitted the requested information in a letter dated June 14, 2002. Access to the tract will be via 5 main entries necked off from crosscuts 15 through 19, running north from the first west mains in the #3 level, Lower O'Connor "A" coal seam.

Access cannot be gained through the old workings on the northeast end of the lease. These workings are flooded and sealed. To the west the longwall panels have apparently been cut off by a channel system and low coal. Therefore, this is the only logical access from the existing portals to the Federal Coal Lease UTU-67939. The coal to the east of the channel can also be mined, providing future production and additional access into this coal.

On July 15, 2002, Mr. James Kohler, Chief, Solids Mineral Branch gave verbal approval to continue these main entries to the north until the lease boundary is reached. This letter is a follow up on that verbal approval.

NEPA: This approval is Categorically Excluded as a minor modification to an existing mining plan because there will be no new surface disturbance in this area as stated in, Overview of BLM's NEPA Process, February 1997, Appendix 2, page 2-7 (F)(7).

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DIVISION OF
OIL, GAS AND MINING

Approval: Skyline Mine is approved to drive the 5 main entries to access Federal Coal Lease UTU-67939 until the lease line is reached for Federal Coal Lease UTU-073120 (see enclosed map). At such time the entries are planned to go into fee coal that is not in the Skyline Logical Mining Unit (LMU). Access back on to the lease in the area of the old 6th Right of Skyline Mine 3 will have to be approved prior to mining back onto the corner of the tract.

The BLM has determined that this modification to the Mining Plan (R2P2) is in compliance with the Mineral Leasing Act of 1920, as amended, the regulations at 43 CFR 3480, the lease terms and stipulations, and will achieve maximum economic recovery (MER) of the Federal coal.

If you have any questions, please call Stan Perkes at (801) 539-4036.

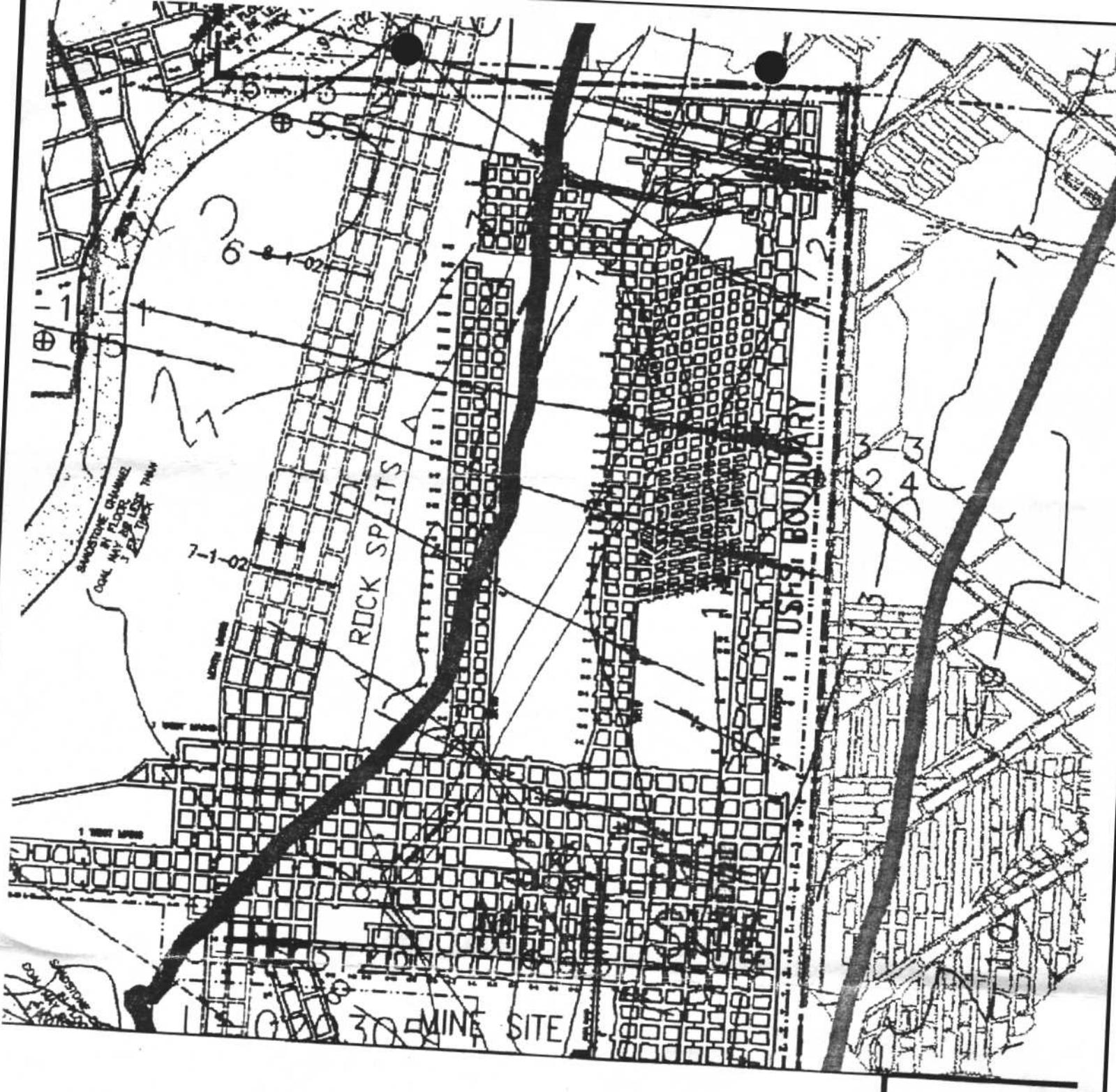
Sincerely,

JS/ JAMES KOHLER

James F. Kohler
Chief, Solids Minerals Branch

Enclosure
Approved Mine Map

cc: Price Field Office [Original with Certified Mail Return Receipt] with enclosure
Utah Division of Oil, Gas, and Mining, DOGM, P.O. Box 145801, Salt Lake City, Utah
84114-5801 (Attn. Mary Ann Wright)
Mine File – Skyline Mine



**MINING PLAN APPROVED BY
BUREAU OF LAND MANAGEMENT**

Recommended By:

3.8P 7/19/02
Mining Engineer (Date)

Approved By:

[Signature] 7/19/02
Manager (Date)