



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Price Field Office
125 South 600 West
Price, Utah 84501

3482
(UT-070)

Mr. Mark Bunnell
Ark Land Company
c/o Canyon Fuel Co., LLC
Skyline Mines
HC35, Box 380
Helper, Utah 84526

AUG 19 2002

C/1007/005

Dear Mr. Bunnell:

Our decision is to grant an exploration plan (submitted 05/30/02) on Federal coal leases UTU-0147570 and UTU-67939 to Ark Land Company Skyline Mine to access and drill four coal exploration holes (02-2-2, 02-2-3, 02-10-1 and 02-11-1) subject to the following conditions:

- 1) The enclosed Bureau of Land Management (BLM) drilling stipulations will be followed.
- 2) The enclosed Forest Service stipulations will be followed.
- 3) Your current bonding will cover the \$52,000 obligation for this exploration plan.

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

Sincerely,

MARK E. BAILEY

Thomas E. Rasmussen
Field Manager

Acting
FOR

2 Enclosures

1. BLM Stipulations (3 pp)
2. Forest Service Stipulations (5 pp)

cc: UT-92313, J. Kohler, Utah State Office (w/Enclosures)
UT-92413, R. Lopez, Utah State Office (w/oEnclosures)
UT-92413, Chris Merritt, Utah State Office (w/oEnclosures)
Elaine Zieroth (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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DIVISION OF
OIL, GAS AND MINING

ATTACHMENT 1

BLM Stipulations

1. Ark Land Company 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 so that a determination may be made concerning their development potential. 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 7 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 procedures.

5. All drilling pits shall be lined to retain drilling fluids, unless sufficient evidence on site specific soil (percolation) and water quality tests are performed to determine a site specific waiver of this stipulation, as determined by the Authorized Officer.

6. 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.

7. Upon completion of exploration activities, two copies of each report 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: _____

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? _____

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Stipulation Number 7

Refer to

ATTACHMENT 2

STIPULATIONS

**Ark Land Company/Canyon Fuel Company LLC-Skyline Mines
Winters Quarters Canyon Coal Exploration 2002
Helicopter Assisted Drilling Program
Federal Coal Leases U-147570 and UTU-67939**

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.
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. Operations will be limited to the period of August 16 to October 1, 2002 unless specifically approved by the Forest Service.
4. 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.
5. 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.
6. Establishment of campsites and staging areas on National Forest System lands in support of this project is subject to Forest Service approval.
7. The Forest Service must be notified of any proposed alterations to the plan of operations. Any changes to the existing plan are subject to Forest Service review and approval.
8. 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. Fire extinguishers must be inspected, fully operational, and readily available to crew members while on site. Fire extinguisher operational training must be provided to each crew member.

9. All gasoline, diesel, and steam-powered equipment must be equipped with effective spark arrestors or mufflers. Spark arrestors 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.
10. 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.
11. The Forest Service reserves the right to suspend operations during periods of high fire potential. A fire prevention/suppression plan must be submitted.
12. 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. Some stream flow is required to remain to minimize impact wildlife, and livestock. The operator shall assure that continuous flow is maintained below diversion points at each source of water used for operations.
13. Unauthorized off-road vehicular travel is prohibited.
14. 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.
15. 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.
16. Gates must be closed after entry unless otherwise specified.
17. 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.
18. Operations must be coordinated with grazing permittees to prevent conflicts. Range permittees must be notified of operations at least one week prior to starting drilling operations.
19. Harrassment of wildlife and livestock is prohibited.
20. Helicopter flight plans must be adhered to. Flights and all other human activities will be avoided Box Canyon and Bobs Canyon (See Attachment, 4).

21. Equipment and materials will be transported by helicopter to each site. Personnel will access the sites by foot from existing roads or by helicopter.
22. Drill pads will be designed to prevent soil contamination by placing brattice or other similar material on the ground prior to placement of equipment. Some site clearing can be done with hand tools. There will be no removal of vegetation such as grasses and trees. Dead-fall and some shrubs or smaller aspen trees can be removed for safety reasons.
23. An acceptable spill containment/spill removal contingency plan must be submitted to the Forest Service prior to commencement of operations. MSDS sheets required on site for fuel, oils, and drilling additives.
24. All drilling fluids, mud and cuttings must be contained on the project site in portable containers and removed to an approved site as part of reclamation. No fluids will be discharged or dumped into streams or onto the ground.
25. During the drilling operations all trash, garbage and other refuse must be properly contained on the project site prior to disposal at authorized sites.
26. 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.
27. 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.
28. All drill holes must be plugged in accordance with Federal and State regulations.
29. The operator must remove all drilling equipment, trash, garbage, flagging, vehicles and other materials from National Forest System lands as part of reclamation. Oil and fuel contaminated materials will be removed to an approved location upon completion and reclamation of drilling sites.
30. Drill sites must be reclaimed upon hole completion scarification and reseeding. Exceptions require Forest Service approval.
31. Contaminated soil and gravel must be stripped and hauled off Forest prior to site reclamation. A spill prevention protection plan must be submitted.
32. Drill rigs and heavy equipment (not including water trucks) must not be transported in or out of the National Forest System lands during the opening of the general elk hunt nor during the opening weekend of the general deer hunt and during holiday weekends. These restrictions include the Friday prior to the discussed weekends. Water trucks must be preceded by a pilot vehicle when hauling water for the project during the restricted-use periods.

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

Grass (Scientific Name)	Lbs/acre
Slender Wheat (<i>Agropyron tachy caulum</i>)	3
Intermediate wheatgrass (<i>Agropyron intermedium</i>)	3
Mountain brome (<i>Bromus carinatus</i>)	3
Blue Wildrye grass (<i>Elymus glaucus</i>)	1
Perennial Ryegrass (<i>Lolium perenne</i>)	1
Orchard grass (<i>Dactylis glomeratus</i>)	2
Meadow foxtail (<i>Alopecurus pratensis</i>)	2
Forbs	
Pacific aster* (<i>Aster adscendens</i>)	0.25
Ladak alfalfa (<i>Medicago sativa var ladak</i>)	1.0
Silvery lupine* (<i>Lupinus agrenteus</i>)	1.5
	14.75 lbs/ac

*If seed is available **Use Lewis Flax if no available

The certified weed-free seed mixture must be 99 percent pure live seed containing a maximum of 1% weeds none of which are noxious. Lewis flax can be substituted for Pacific aster seed is not available.

34. All disturbed drainages must be replaced to their approximate original configuration when the project area is reclaimed.
35. Reclamation efforts will be diligently pursued to insure that a minimum ground cover is established on all disturbed areas which is equal to or greater than the surrounding undisturbed areas.
36. The operator will be held responsible for control of noxious weed infestations found to be a result of this drilling operation. Vehicles and drilling equipment are to be cleaned prior to entering National Forest System lands.
37. 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 Service 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.

at: John Healy, Acting District Ranger
Manti-La Sal National Forest
115 West Canyon Road
P.O. Box 310
Ferron, Utah 84523
Telephone No. (435-636-3585)

who is the authorized representative of the Secretary of Agriculture.

Stipulations to be Included in the Road Use Permit

38. Roads must not be used when they are wet and susceptible to damage.
39. The permittee is responsible for repair of any damages to roads which are caused by his operations.
40. All traffic must maintain safe speeds commensurate with existing conditions.
41. Roads must be watered or treated with dust suppression if dust becomes a problem or if excessive loss of road material occurs.