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

OK

Michael O. Leavitt
Governor
Kathleen Clarke
Executive Director
Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

May 1, 2002

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

Dan

Dear Mr. Meadors:

Re: Five-Year Permit Renewal, Canyon Fuel Company, LLC, Skyline Mine, C/007/005, Outgoing File

Enclosed is the renewed permanent program mining permit for the Skyline Mine and a copy of the State's Decision Document.

Two (2) copies of the permit are included. There are five conditions attached to the permit. Please read the permit to be sure you understand the requirements of the permit and conditions, have both copies signed by the responsible official for Canyon Fuel Company, LLC and return one to the Division.

Sincerely,

Lowell P. Braxton
Lowell P. Braxton
Director

sm
Enclosures
cc: J. Fulton, OSM
Price Field Office
O:\007005.SKY\FINAL\PERMITDD_RN02.DOC

**UTAH DIVISION OF OIL, GAS AND MINING
STATE DECISION DOCUMENT**

**For
PERMIT RENEWAL**

**Canyon Fuel Company, LLC
Skyline Mine
C/007/005
Carbon County, Utah**

April 30, 2002

CONTENTS

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- * AVS Recommendation, memo to file (April 30, 2002)
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ADMINISTRATIVE OVERVIEW

**Canyon Fuel Company, LLC
Skyline Mine
C/007/005
Carbon County, Utah**

April 30, 2002

BACKGROUND

Canyon Fuel Company, LLC made application to the Division of Oil, Gas and Mining for a five year permit renewal for the Skyline Mine on January 2, 2002.

The Mining and Reclamation Plan (MRP) for the Skyline Mine was originally approved by the Office of Surface Mining Reclamation and Enforcement (OSMRE) on June 20, 1980. The Permittee is Coastal States Energy Company and the Operator is Utah Fuel Company. On July 20, 1984 a revised permit was issued which authorized the use of a waste rock disposal site near the town of Scofield. On March 28, 1985 the Division of Oil Gas and Mining (DOGM) and OSM determined that the permit would expire on April 30, 1987 five years from the date of initial operations, and notified the Operator accordingly. The Permittee submitted a timely application for permit renewal in 1986.

Due to numerous problems in formatting and technical issues associated with the original MRP, the mine operated under short-term permits from April 30, 1987 to December 1, 1989 when a renewal was issued. That renewed permit was scheduled to expire on April 30, 1992, ten years from the date of initial operations. On December 31, 1991 Coastal States Energy Company submitted another application for permit renewal which included an updated Mining and Reclamation Plan formatted to the new R614 (R645) regulations. The permit was transferred from Coastal States Energy Company to Canyon Fuel Company, LLC on December 20, 1996.

The renewed permit for an additional 5 year period until April 30, 1997 was conditioned upon satisfactorily complying with a Division Order that required additional PHC information.

The Skyline mine plan area incorporates federal coal leases and one Carbon County coal lease (permit area is 7037 acres with 79.12 acres of surface disturbance). The surface disturbed area includes disturbances (surface facilities) on Forest Service lands and private land (Unit Train Loadout and Waste Rock Disposal sites). The access to the Waste Rock Disposal Pit is a private road and is not scheduled for reclamation.

ISSUES

The Utah Division of Wildlife Resources (DWR) provided comments about the discharges from the Skyline Mine into Mud Creek and Scofield Reservoir and the subsequent sedimentation effects on the fisheries. The Division responded verbally to DWR stating that the permittee is updating the Probable Hydrologic Consequence (PHC) and the Division will update the Cumulative Hydrologic Impact Assessment (CHIA). The Division has been working with the permittee since August 2001 on these discharges and updating the PHC.

ANALYSIS

The Division is addressing the increase in water being discharged from the Skyline Mine by requiring the permittee to update the PHC and fund a study to identify the impacts to Mud Creek, Eccles Creek, Scofield Reservoir, and Electric Lake and the permit is being conditioned accordingly.

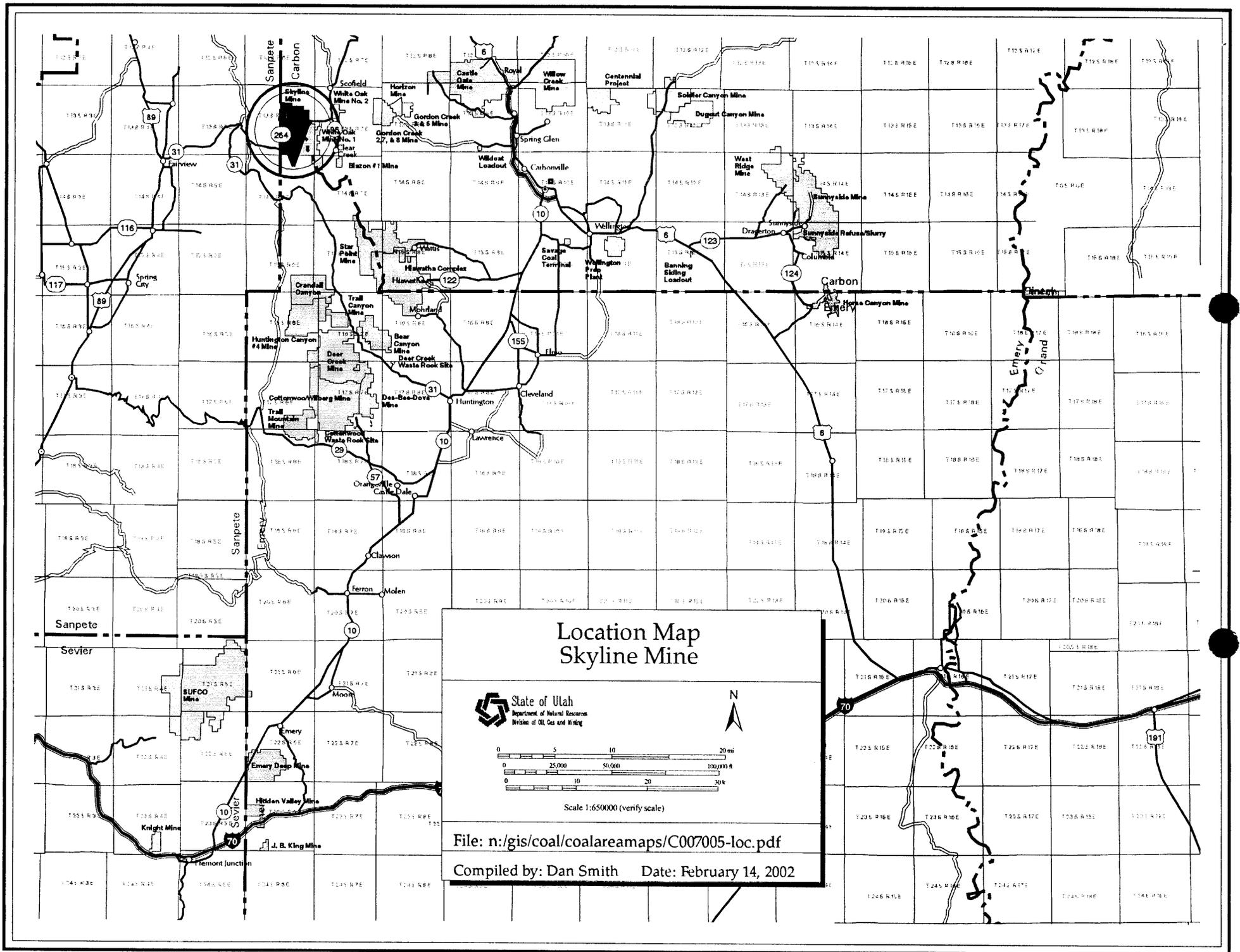
RECOMMENDATION

Canyon Fuel Company, LLC has demonstrated that mining of the Skyline Mine can be done in conformance with the Surface Mining Control and Reclamation Act and the corresponding Utah Act and performance standards. Approval for permit renewal is recommended with five conditions:

- 1) Canyon Fuel Company, LLC must submit water quality data for the Skyline Mine in an electronic format through the Electronic Data Input web site, <http://linux1.ogm.utah.gov/cgi-bin/appx-ogm.cgi>
- 2) Within 45 days of permit renewal, Canyon Fuel Company, LLC must assemble, analyze and submit to the Division all existing data for the PHC. Further, provide all data as required by the Division to update the PHC to comply with R645-301-728 on an ongoing basis.
- 3) Canyon Fuel Company, LLC must submit flow volume data for discharges into Electric Lake and Eccles Creek to be reported on a monthly basis, submitting the data in the first week of the following month. This will require amending the Mining and Reclamation Plan (MRP) to establish two new water monitoring points in the water

monitoring plan at the above-noted discharge points.

- 4) Within 45 days of permit renewal, Canyon Fuel Company, LLC must submit all data and all completed reports and data compilations relative to the excess discharges at the Skyline Mine, including but not limited to:
 - All consultant studies relating to the Skyline mine flooding. This includes geologic reports, water analysis, stream analysis, flow records and similar data.
 - All past macroinvertebrate studies on Eccles Creek analyzed and compiled by a qualified person into one report. (Those studies previously committed to must continue.)
- 5) At this time, the Division is unable to make a finding about the potential effects outside the permit area on the continued heavy pumping of water/flooding of Eccles Creek, Mud Creek, Scofield Reservoir and Electric Lake. Therefore within 45 days of the permit renewal, Canyon Fuel Company, LLC must provide funding for the Division to conduct an independent assessment using a Division approved Consultant to determine the potential impacts to the above noted waters. If necessary, when the assessment report is completed, Canyon Fuel Company, LLC must mitigate any and all damages identified by the assessment. In lieu of funding an independent assessment, CFC may opt to propose measures to prevent and mitigate the effects of the flooding, as required under R645-301-731.



PERMITTING CHRONOLOGY

**Canyon Fuel Company, LLC
Skyline Mine
Permit Renewal
C/007/005
Carbon County, Utah**

April 30, 2002

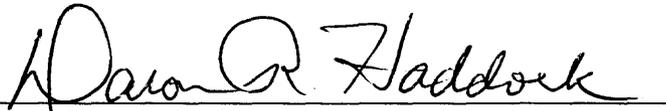
- January 2, 2002 Canyon Fuel Company, LLC submits application for permit renewal.
- February 21, 2002 Division verbally notifies Canyon Fuel Company, LLC that the Skyline Mine permit renewal application is complete. Written Determination of Completeness sent on March 25, 2002.
- February 21, 28,
March 7 and 14, 2002 The Skyline permit renewal is published in the Sun Advocate for four consecutive weeks.
- March 12, 2002 Division notifies other federal, state and local agencies about the Skyline permit renewal.
- April 15, 2002 End of public comment period. One comment from the Division of Wildlife Resources (DWR) in regard to the "increased water emission from the Skyline Mine may exacerbate sedimentation problems in Mud Creek and Scofield Reservoir....which may affect fisheries at these locations." DWR did not request an informal conference.
- April 30, 2002 Division issues Decision Document and renewed state permit with five conditions.

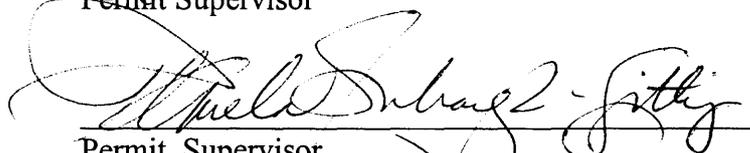
PERMIT RENEWAL FINDINGS

**Canyon Fuel Company
Skyline Mine
C/007/005
Carbon County, Utah**

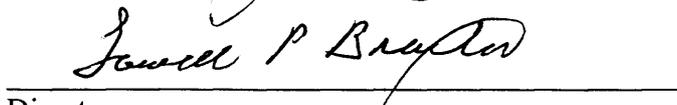
April 30, 2002

1. The permit renewal term will not exceed the original permit term of five years (R645-303-234).
2. The terms and conditions of the existing permit are being satisfactorily met (R645-303-233.110). (Additional conditions are being added with this renewal).
3. The present underground coal mining activities are in compliance with the environmental protection standards of the Act and the Utah State Program (R645-303-233.120).
4. The requested renewal will not substantially jeopardize the operator's continuing ability to comply with the Act and the Utah State Program (R645-303-233.130).
5. The permittee has provided evidence of having liability insurance (Federal Insurance Company, policy number 3711-00-11)(R645-303-233.140).
6. The permittee has posted a reclamation surety in the required amount and has provided evidence that the surety will remain in full effect for the additional permit period (Surety issued by St. Paul Fire & Marine Insurance, #400SA1919, in the amount of \$5,076,000. No additional surface disturbances are approved with this renewal (R645-303-233.150).
7. The permittee has submitted all updated information as required by the Division at this time. (R645-233.160).


Permit Supervisor


Permit Supervisor


Associate Director, Mining


Director

AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.

County of Carbon,)

I, Ken Larson, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and that the first publication was on the 21st day of February, 2002, and that the last publication of such notice was in the issue of such newspaper dated the 14th day of March, 2002.

Ken G. Larson

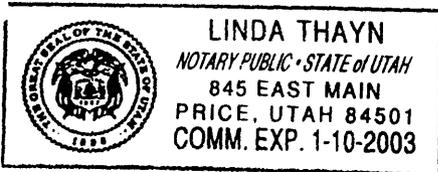
Ken G Larson - Publisher

Subscribed and sworn to before me this 14th day of March, 2002.

Linda Thayne

Notary Public My commission expires January 10, 2003 Residing at Price, Utah

Publication fee, \$ 470.40



LEGAL NOTICE

Canyon Fuel Company, LLC of Midvale, Utah, hereby announces its intent to renew its coal mining permit for the Skyline Mine under the laws of the State of Utah and the U.S. Office of Surface Mining. The currently approved mining permit is number C-007/005.

Canyon Fuel Company, LLC operates the Skyline Mine with surface facilities located in Eccles Canyon which is approximately 3 miles southwest of Scandia, Utah.

Underground coal mining will take place in coal reserves owned or leased by Canyon Fuel Company, LLC. A legal description of the permit area follows:

Township 13 South, Range 6 East, SLBM

- Section 10: Portion
- Section 11: Portion
- Section 13: Portion
- Section 14: All
- Section 15: All
- Section 22: All
- Section 23: All
- Section 24: Portion
- Section 25: Portion
- Section 26: All
- Section 27: All
- Section 34: All
- Section 35: Portion
- Section 36: Portion

Township 13 South, Range 7 East, SLBM

- Section 4: Portion
- Section 5: Portion
- Section 17: Portion
- Section 18: Portion
- Section 19: Portion

Township 14 South, Range 6 East, SLBM

- Section 2: Portion
- Section 8: Portion

Total acres within the PERMIT AREA: 7,037

The address of the applicant is: Canyon Fuel Company, LLC, 6955 South Union Park Center, Suite 640, Midvale, Utah 84047.

After filing, copies of this permit renewal application will be available for inspection at the following locations: Utah Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, Salt Lake City, Utah; and the Carbon County Courthouse, 120 East Main Street, Price, Utah.

Written comments or requests regarding this permit renewal must be made within 30 days of the last publication of this notice, and may be addressed to the Utah Department of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, Salt Lake City, Utah 84114-5801.

Published in the Sun Advocate February 21, 28, March 7 and 14, 2002.



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

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1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

April 30, 2002

TO: Compliance File

FROM: Pamela Grubaugh-Littig, Permit Supervisor *pgl*

RE: AVS Documentation, Canyon Fuel Company, LLC, Skyline Mine, ACT/007/005, Compliance File

As of the writing of this memo, there are no NOVs or COs which are not corrected or in the process of being corrected for the Skyline Mine. There are no finalized civil penalties, which are outstanding and overdue in the name of Canyon Fuel Company, LLC. Canyon Fuel Company, LLC does not have a demonstrated pattern of willful violations, nor have they been subject to any bond forfeitures for any operation in the state of Utah.

Attached is documentation from the OSM Applicant Violator System dated April 30, 2002.

P:\GROUPS\COAL\WP\007005.SKY\COMPLIANCE\AVS2002.DOC

Application Evaluation

Applicant Violator System

30-Apr-2002 11:54:50

State : UT	
Permit No : ACT007005	
Appl No : ACT007005	
Seqno : 2	
Applicant : 142816(CANYON FUEL CO LLC)	

The AVS office provided a quality check on this application 04/25/2002

There were no violations retrieved by the system

EVRPT(F7) PERMIT/APPL(F8) REPORTS(F11)
PRV_SCR(F3) VIOL(F4) EVOFT(F5) VOFT(F6) CHOICES(F10) :

CMD KER DDE WINSOCK Node Connected CLR ↑

VT228 88 ONLINE 24 64 Hold

Start Novel-delivered Applicatio... GroupWise - Mailbox AMS320 | avsdg.osme... 11:50 AM

Application Evaluation Report Applicant Violator System 30-Apr-2002 11:55:50

State : UT Permit No : ACT007005 Appl No : ACT007005
Permittee : 142816(CANYON FUEL CO LLC) Seqno : 2
Applicant : 142816(CANYON FUEL CO LLC)

OSMRE: Comments/Analysis: Date : 25-Apr-2002 Mode : VIEW

SRA: Comments/Analysis: Date : 30-Apr-2002 Mode : UPDATE

SAVE(F5) DELETE(F8)
PRV_SCR(F3) QUIT(F4) CHOICES(F10)

CMD KER DDE WINSOCK Node Connected CLR

UT228 80 ONLINE 18 35 Hol

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**PERMIT
C/007/005**

**STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5340**

This permit, C/007/005, is issued for the state of Utah by the Utah Division of Oil, Gas and Mining (DOGGM) to:

**Canyon Fuel Company, LLC
6955 South Union Park Center, Suite 540
Midvale, Utah 84047
(801) 596-7111**

for the Skyline Mine. Canyon Fuel Company, LLC is the lessee of federal, state and fee-owned property. A performance bond is filed with the DOGM in the amount of \$5,076,00.00, payable to the state of Utah, Division of Oil, Gas and Mining and the Office of Surface Mining Reclamation and Enforcement (OSMRE). DOGM must receive a copy of this permit signed and dated by the permittee.

Sec. 1 STATUTES AND REGULATIONS - This permit is issued pursuant to the Utah Coal Mining and Reclamation Act of 1979, Utah Code Annotated (UCA) 40-10-1 et seq, hereafter referred to as the Act.

Sec. 2 PERMIT AREA - The permittee is authorized to conduct coal mining and reclamation operations on the following described lands within the permit area at the Skyline Mine situated in the state of Utah, Carbon County, and located:

Township 13 South, Range 6 East, SLBM

Section 10: S1/2,

Section 11: S1/2 S1/2,

Section 13: W1/2, portion of SE1/4 associated with coal conveyance system,

Section 14: All,

Section 15: All,

Section 22: All,

Section 23: All,

Section 24: All area west of Connelville Fault,
Section 25: All area west of Connelville Fault, All area associated with buried power line,
Section 26: All,
Section 27: All,
Section 34: All,
Section 35: All area west of Connelville Fault, and
Section 36: All area west of Connelville Fault, All area associated with buried power line.

Township 13 South, Range 7 East, SLBM

Section 4: Portion of SW1/4, Portion of NW1/4 (includes access roads and area associated with a waste rock disposal site)
Section 5: Portion of NE1/4 (includes access roads and area associated with a waste rock disposal site)
Sections 17 and 18: All or portions of these sections which also includes areas for use as access roads and rail loading facilities. Rights of way and surface easements are also included for construction of a coal conveyance system from the mine portal area down Eccles Canyon to the coal storage and loadout facility at the mouth of its canyon.

Township 14 South, Range 6 East, SLBM

Sections 2 and 3: A parcel of land commencing at the section corners of Sections 33 and 34, Township 13 South, Range 6 East and Sections 3 and 4, Township 14 South, Range 6 East, Salt Lake Base Meridian, thence East along the North boundary of Section 3 for a distance of 3,650 feet, more or less, herein called the point of beginning for this tract; thence South 20° 00' 00" East along the west line of the tract for 5,800 feet, more or less, thence 90° 00' 00" East along the south line of the tract for 1,800 feet, more or less, thence North 21° 00' 00" East along the east line of the tract for 5,800 feet, more or less, thence North 90° 00' 00" West along the north line of the tract for 5,700 feet, more or less, to the point of beginning and containing 459 acres, more or less.
Section 3: Portion of the NE1/4 associated with a buried water line.

This legal description is for the permit area of the Skyline Mine included in the mining and reclamation plan on file at the Division as shown on Drawing 1.6-3 Skyline Mines Permit Area. The permittee is authorized to conduct coal mining and reclamation operations on the foregoing described property subject to the conditions of the leases, including all conditions and all other applicable conditions, laws and regulations.

Sec. 3 COMPLIANCE - The permittee will comply with the terms and conditions of the permit, all applicable performance standards and requirements of the State Program.

Sec. 4 PERMIT TERM - This permit becomes effective on April 30, 2002 and expires on April 30, 2007.

Sec. 5 ASSIGNMENT OF PERMIT RIGHTS - The permit rights may not be transferred, assigned or sold without the approval of the Director, DOGM. Transfer, assignment or sale of permit rights must be done in accordance with applicable regulations, including but not limited to 30 CFR 740.13(e) and R645-303.

Sec. 6 RIGHT OF ENTRY - The permittee shall allow the authorized representative of the DOGM, including but not limited to inspectors, and representatives of OSMRE, without advance notice or a search warrant, upon presentation of appropriate credentials, and without delay to:

- A. have the rights of entry provided for in 30 CFR 840.12, R645-400-110, 30 CFR 842.13 and R645-400-220; and,
- B. be accompanied by private persons for the purpose of conducting an inspection in accordance with R645-400-100 and 30 CFR 842, when the inspection is in response to an alleged violation reported by the private person.

Sec. 7 SCOPE OF OPERATIONS - The permittee shall conduct coal mining and reclamation operations only on those lands specifically designated as within the permit area on the maps submitted in the mining and reclamation plan and permit application and approved for the term of the permit and which are subject to the performance bond.

Sec. 8 ENVIRONMENTAL IMPACTS - The permittee shall minimize any adverse impact to the environment or public health and safety through but not limited to:

- A. accelerated monitoring to determine the nature and extent of noncompliance and the results of the noncompliance;
- B. immediate implementation of measures necessary to comply; and
- C. warning, as soon as possible after learning of such noncompliance, any person whose health and safety is in imminent danger due to the noncompliance.

Sec. 9 DISPOSAL OF POLLUTANTS - The permittee shall dispose of solids, sludge, filter backwash or pollutants in the course of treatment or control of waters or emissions to the air in the manner required by the approved Utah State Program and the Federal Lands Program which prevents violation of any applicable state or federal law.

Sec. 10 CONDUCT OF OPERATIONS - The permittee shall conduct its operations:

- A. in accordance with the terms of the permit to prevent significant, imminent environmental harm to the health and safety of the public; and
- B. utilizing methods specified as conditions of the permit by DOGM in approving alternative methods of compliance with the performance standards of the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 11 EXISTING STRUCTURES - As applicable, the permittee will comply with R645-301 and R645-3023 for compliance, modification, or abandonment of existing structures.

Sec. 12 RECLAMATION FEE PAYMENT - The permittee shall pay all reclamation fees required by 30 CFR part 870 for coal produced under the permit, for sale, transfer or use.

Sec. 13 AUTHORIZED AGENT - The permittee shall provide the names, addresses and telephone numbers of persons responsible for operations under the permit to whom notices and orders are to be delivered.

Sec. 14 COMPLIANCE WITH OTHER LAWS - The permittee shall comply with the provisions of the Water Pollution Control Act (33 USC 1151 et seq,) and the Clean Air Act (42 USC 7401 et seq), UCA 26-11-1 et seq, and UCA 26-13-1 et seq.

Sec. 15 PERMIT RENEWAL - Upon expiration, this permit may be renewed for areas within the boundaries of the existing permit in accordance with the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 16 CULTURAL RESOURCES - If during the course of mining operations, previously unidentified cultural resources are discovered, the permittee shall ensure that the site(s) is not disturbed and shall notify DOGM. DOGM, after coordination with OSMRE, shall

inform the permittee of necessary actions required. The permittee shall implement the mitigation measures required by DOGM within the time frame specified by DOGM.

Sec. 17 APPEALS - The permittee shall have the right to appeal as provided for under R645-300.

Sec. 18 SPECIAL CONDITIONS - There are special conditions associated with this permitting action attached as Attachment A.

The above conditions (Secs. 1-18) are also imposed upon the permittee's agents and employees. The failure or refusal of any of these persons to comply with these conditions shall be deemed a failure of the permittee to comply with the terms of this permit and the lease. The permittee shall require his agents, contractors and subcontractors involved in activities concerning this permit to include these conditions in the contracts between and among them. These conditions may be revised or amended, in writing, by the mutual consent of DOGM and the permittee at any time to adjust to changed conditions or to correct an oversight. DOGM may amend these conditions at any time without the consent of the permittee in order to make them consistent with any new federal or state statutes and any new regulations.

THE STATE OF UTAH

By: Jawell P Braxter

Date: 5/11/02

I certify that I have read, understand and accept the requirements of this permit and any special conditions attached.

Authorized Representative of the Permittee

Date: _____

ATTACHMENT A
Special Conditions
C/007/005
April 30, 2002

- 1) Canyon Fuel Company, LLC must submit water quality data for the Skyline Mine in an electronic format through the Electronic Data Input web site,
<http://linux1.ogm.utah.gov/cgi-bin/appx-ogm.cgi>
- 2) Within 45 days of permit renewal, Canyon Fuel Company, LLC must assemble, analyze and submit to the Division all existing data for the PHC. Further, provide all data as required by the Division to update the PHC to comply with R645-301-728 on an ongoing basis.
- 3) Canyon Fuel Company, LLC must submit flow volume data for discharges into Electric Lake and Eccles Creek to be reported on a monthly basis, submitting the data in the first week of the following month. This will require amending the Mining and Reclamation Plan (MRP) to establish two new water monitoring points in the water monitoring plan at the above-noted discharge points.
- 4) Within 45 days of permit renewal, Canyon Fuel Company, LLC must submit all data and all completed reports and data compilations relative to the excess discharges at the Skyline Mine, including but not limited to:
 - All consultant studies relating to the Skyline mine flooding. This includes geologic reports, water analysis, stream analysis, flow records and similar data.
 - All past macroinvertebrate studies on Eccles Creek analyzed and compiled by a qualified person into one report. (Those studies previously committed to must continue.)
- 5) At this time, the Division is unable to make a finding about the potential effects outside the permit area on the continued heavy pumping of water/flooding of Eccles Creek, Mud Creek, Scofield Reservoir and Electric Lake. Therefore within 45 days of the permit renewal, Canyon Fuel Company, LLC must provide funding for the Division to conduct an independent assessment using a Division approved Consultant to determine the potential impacts to the above noted waters. If necessary, when the assessment report is completed, Canyon Fuel Company, LLC must mitigate any and all damages identified by the assessment. In lieu of funding an independent assessment, CFC may opt to propose measures to prevent and mitigate the effects of the flooding, as required under R645-301-731.