



Canyon Fuel Company, LLC
Skyline Mines
 HC 35 Box 380
 Helper, Utah 84526
 (435) 448-6463 Fax: (435) 448-2632

INCOMING
 C007005
 AM03G

June 25, 2003

Pam Grubaugh-Littig
 Permit Supervisor
 Utah Division of Oil, Gas and Mining
 1594 West North Temple, Suite 1210
 Salt Lake City, Utah 84114-5801

RE: Submittal of Required Permit Modification as per the Division's May 5, 2003
 Letter Approving Lawrence Reservoir Site Subsidence, Canyon Fuel
 Company, LLC, Skyline Mine, C/007/005-AM03E

Dear Ms Grubaugh-Littig:

Skyline Mine is pleased to submit a modification to the mine's permit to satisfy the requirements of the stipulation put forth in the Division's May 5, 2003 approval letter for the undermining and subsidence of the Lawrence Reservoir site. A presubsidence baseline survey of the lower sections of Burnout Canyon was obtained from existing aerial photographs of the stream from its confluence with Huntington Creek upstream to the downstream end of the existing stream profile. The accuracy of the profile generated through the use of aerial photographs is at a minimum of +/- 0.2 feet. Skyline will continue the macroinvertebrate studies in lower Burnout Canyon as currently stipulated in the permit. Water monitoring will continue in the canyon as specified in the Burnout Creek study and any damage to the canyon or the waters thereof will be mitigated as currently described in the permit and as necessary.

Included with this letter are four copies of pages with the modified text designated with redline/strikethrough notation. Also, seven clean copies of the modified pages of text are included. The completed C1/C2 forms are attached to this letter.

If you have any questions, please call me at (435) 448-2669. We appreciate your help in this matter.

Sincerely,

Chris D. Hansen
 Environmental Coordinator
 Canyon Fuel Company, LLC

RECEIVED

JUN 26 2003

DIV. OF OIL, GAS & MINING

APPLICATION FOR COAL PERMIT PROCESSING

Permit Change New Permit Renewal Exploration Bond Release Transfer

Permittee: Canyon Fuel Company, LLC

Mine: Skyline Mine

Permit Number: C/007/005

Title: Revision to M&RP to include the subsidence of a portion of the abandoned Lawrence Reservoir site

Description, Include reason for application and timing required to implement:

Response to stipulation by Division regarding approval to subside Lawrence Reservoir site

Instructions: If you answer yes to any of the first eight (gray) questions, this application may require Public Notice publication.

- Yes No 1. Change in the size of the Permit Area? Acres: _____ Disturbed Area: _____ increase decrease.
- Yes No 2. Is the application submitted as a result of a Division Order? DO# _____
- Yes No 3. Does the application include operations outside a previously identified Cumulative Hydrologic Impact Area?
- Yes No 4. Does the application include operations in hydrologic basins other than as currently approved?
- Yes No 5. Does the application result from cancellation, reduction or increase of insurance or reclamation bond?
- Yes No 6. Does the application require or include public notice publication?
- Yes No 7. Does the application require or include ownership, control, right-of-entry, or compliance information?
- Yes No 8. Is proposed activity within 100 feet of a public road or cemetery or 300 feet of an occupied dwelling?
- Yes No 9. Is the application submitted as a result of a Violation? NOV # _____
- Yes No 10. Is the application submitted as a result of other laws or regulations or policies?
Explain: _____
- Yes No 11. Does the application affect the surface landowner or change the post mining land use?
- Yes No 12. Does the application require or include underground design or mine sequence and timing? (Modification of R2P2)
- Yes No 13. Does the application require or include collection and reporting of any baseline information?
- Yes No 14. Could the application have any effect on wildlife or vegetation outside the current disturbed area?
- Yes No 15. Does the application require or include soil removal, storage or placement?
- Yes No 16. Does the application require or include vegetation monitoring, removal or revegetation activities?
- Yes No 17. Does the application require or include construction, modification, or removal of surface facilities?
- Yes No 18. Does the application require or include water monitoring, sediment or drainage control measures?
- Yes No 19. Does the application require or include certified designs, maps or calculation?
- Yes No 20. Does the application require or include subsidence control or monitoring?
- Yes No 21. Have reclamation costs for bonding been provided?
- Yes No 22. Does the application involve a perennial stream, a stream buffer zone or discharges to a stream?
- Yes No 23. Does the application affect permits issued by other agencies or permits issued to other entities?

Please attach four (4) review copies of the application. If the mine is on or adjacent to Forest Service land please submit five (5) copies, thank you. (These numbers include a copy for the Price Field Office)

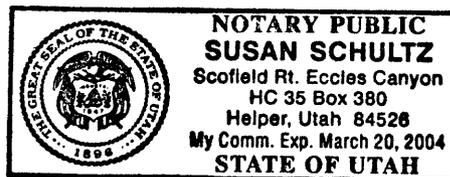
I hereby certify that I am a responsible official of the applicant and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein.

Stan B Christensen
Print Name

Stan B Christensen for Dan Meadows 6-25-03
Sign Name, Position, Date

Subscribed and sworn to before me this 25 day of June, 2003

Susan Schultz
Notary Public
My commission Expires: 3-20-04
Attest: State of Ut County of Carbon



For Office Use Only:

Assigned Tracking Number:

Received by Oil, Gas & Mining

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JUN 26 2003

DIV. OF OIL, GAS & MINING

low acidity and high alkalinity indicates that acid drainage problems do not develop as a result of mining in the permit area.

Total and dissolved iron measurement values vary widely throughout the area, with the potential source being the iron contained in Blackhawk Formation cementing agents. Total iron, which varied in measurements from less than 0.01 to over 45 milligrams per liter during the observation period, tends to be somewhat directly related to the flow rate, and is associated with sediment loading. In contrast, dissolved iron tends to be much more constant.

Total manganese concentrations in the area were low, varying normally between 0.01 and 2.0 milligrams per liter with occasional higher concentrations associated with sediment loading. No distinct seasonal variations were noted.

The Burnout Creek area was the subject of a subsidence study which is directed by the U.S.F.S. and a portion of the study continues that included monitoring the flows in the stream biweekly and performing annual stream gradient surveys. Four surface water monitoring points were monitored in this area and in the adjacent Upper Huntington Creek since 1981 as a part of the surface water monitoring program. Eight flumes, F-1 through F-8 (Plate 2.3.6-1) were installed and are presently being monitored as part of the modified subsidence study. However, only one flume, F-5, is currently part of the quarterly water monitoring program. Flume F-5 is the same sampling point as CS-7 of the quarterly water monitoring program. In general, stream flow rates in this part of the permit area are decreasing. This is likely due to the present drought conditions (Climatology, Volume 4). Water samples from all four monitoring stations are of a calcium-bicarbonate character. Chemical concentrations have remained relatively consistent through time. Baseline concentrations of various constituents were normally well within the State of Utah standards for waters of the Skyline project area.

A summary documenting the water quality data in the mine area may be found in Volume 4.

In May 2003, Skyline Mine received approval to undermine the lower section of Burnout Canyon that was known as the Lawrence Reservoir site. The reservoir site was abandoned by the United States Bureau of Reclamation after completion of the Electric Lake dam. As part of the approval by the

Division, Skyline is required to provide as part of the overall Burnout Creek subsidence study a detailed profile of the section of the creek to be provided. Skyline Mine has obtained through aerial survey methods a pre-subsidence stream profile of Burnout Creek from its intersection with Huntington Creek upstream to upper end of the initial study area. This new profile of the lower reaches of Burnout Creek has been tied into the stream profile initially generated when the Burnout study began and will be included with the annual study data submitted to the Forest.

In addition to monitoring the changes in the stream profile, photographic evidences of changes to Eccles Creek due to subsidence, if any, will continue to be collected. Currently, 13 photo documentation sites have been established along most of the perennial portion of Burnout Creek. Two sites are located within the Lawrence Reservoir area. These sites were established in October 1998 and are revisited and rephotographed in October of each year. If significant changes are noted in the stream profile at locations other than the currently established documentation points, new photo locations will be created, photographed, and submitted to the Forest.

The macroinvertebrate study of the lower section of Burnout Canyon will continue as described in Section 2.8.1 of this M&RP to determine what, if any, impacts occur to the macroinvertebrate populations as a result of mining activities. Flow monitoring will also occur in accordance with the modified Burnout Canyon subsidence monitoring study. Finally, as described in Section 2.5.3 of this M&RP, the permittee will mitigate any damage to State appropriated waters in the Burnout Creek drainage.

Additional baseline data has been collected in the James Canyon drainage as part of the Burnout Canyon study. Flows have been obtained from flume F-9 since 1993 in James Canyon. This information is contained in Volume A-1, Hydrology. Water quality samples have not been collected from this stream since no surface facilities are located in this drainage. Also, water quality samples collected since the early 80's and 90's from streams that have been undermined by the Skyline Mines (Burnout, Eccles, other tributaries of Upper Huntington Creek, Plate 2.3.6-1 and 2.3.6-1a) indicate water quality is not noticeably affected by underground mining activities.

Prior to March 1999, Skyline Mine discharged water to Eccles Creek at an average rate of approximately 350 gpm. From March 1999 through November 2002, the discharge rate gradually increased to between 9,500 and 10,500 gpm. The increase in discharge rate is related to increased ground water inflow to the Mine #2 area of the Skyline Mine. A flow of 10,500 gpm in Eccles Creek due to the increased mine discharge is approximately 42 times the minimum measured base flow

between 1 and 50 cubic feet per second and those in Mud Creek vary between 5 and 380 cubic feet per second.

The watersheds draining the project area yield an average of approximately 13.5 inches of water annually to the Price River Basin. However, because the relatively impermeable Blackhawk Formation underlies all of the Huntington Creek Basin above the southern boundary of the project area (either on the surface or directly beneath the surface member), the yield to the San Rafael River Basin is slightly higher (averaging approximately 16 inches per year).

A significant surface water quality sampling program has been conducted in Eccles Creek, Burnout Creek, and Huntington Creek as well as in a representative sampling of seeps and springs in the Skyline permit area. The following briefly describes the major water quality characteristics of the permit area.

Surface water in the Skyline project area is of a calcium bicarbonate type. Total dissolved solids concentrations in the area are generally lowest during the months of April through June when flows are highest and affected by the diluting effect of direct snowmelt. As flows decrease and the majority of the flow is derived from seepage of local groundwater systems, the dilution effect becomes less pronounced and dissolved solids concentrations tend to increase. As a result, the dissolved solids content of surface water in the area varies from less than 100 milligrams per liter (headwaters of Huntington Creek during the high flow season) to slightly greater than 500 milligrams per liter (Eccles Creek during low flow conditions).

Suspended solids concentrations in the area tend to vary proportionately with flow rate. During the snowmelt runoff season, concentrations are also naturally higher in Eccles Canyon than in the Huntington Creek drainage basin. Channel erosion, although relatively low throughout the area, appears to be more extensive in the steeper Eccles Canyon than in the Huntington Creek Basin and is probably the source of most of the increased sediment concentrations. Mud slides, when present, add considerably to the suspended solids concentration.

Hydrogen ion activity (pH) tends to be rather constant in the surface waters on and adjacent to the Skyline project area, varying normally between 6.5 and 8.6. The basic condition of the water with

low acidity and high alkalinity indicates that acid drainage problems do not develop as a result of mining in the permit area.

Total and dissolved iron measurement values vary widely throughout the area, with the potential source being the iron contained in Blackhawk Formation cementing agents. Total iron, which varied in measurements from less than 0.01 to over 45 milligrams per liter during the observation period, tends to be somewhat directly related to the flow rate, and is associated with sediment loading. In contrast, dissolved iron tends to be much more constant.

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