

March 28, 2003

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

Re: Division Order, JC-3 Well, Canyon Fuel Company, Skyline Mine, C/007/005 DO03B,
Outgoing File

Dear Mr. Meadors:

The Division has been working closely with personnel from your office to address the installation of the JC-3 well. We have been made aware of some deficiencies in the permitting of this well that must be adequately addressed. A Division Order is enclosed that requires Canyon Fuel Company to submit an amendment, which satisfies the order, within 30 days.

If you have any questions, please call me at (801) 538-5370 or Mary Ann Wright at (801) 538-5306.

Sincerely,

Lowell P. Braxton
Director

an
Enclosure

cc: Mary Ann Wright
Daron Haddock
Price Field Office

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

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| <p>PERMITTEE</p> <p>Dan Meadors, General Manager Canyon Fuel Company, LLC HC 35 Box 380 Helper, Utah 84526</p> <p>PERMIT NUMBER <u>C/007/005</u> DIVISION NUMBER <u>DO03B</u></p> | <p>ORDER & FINDINGS OF PERMIT DEFICIENCY</p> |
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PURSUANT to R645-303-212, the DIVISION ORDERS the PERMITTEE, Canyon Fuel Company, LLC, to make the requisite permit changes enumerated in the findings of Permit Deficiency in order to be in compliance with the State Coal Program. These findings are to be remedied in accordance with R645-303-220.

FINDINGS OF PERMIT DEFICIENCY

A review of the current Mining and Reclamation Plan (MRP) and field investigations have revealed that certain activities associated with the mine are not adequately addressed. The Skyline Mine James Canyon dewatering wells have been subject to the provisions of a BLM exploration permit. In reviewing the provisions of that permit The Division of Oil, Gas and Mining finds as follows:

1. The exploration permit does not fully describe drilling, well completion, or contemplate mine dewatering of the nature currently required to sustain safe operating conditions at the Skyline Mine.
2. Surface disturbing activities for this dewatering operation are already under regulation as part of the current approved MRP and would otherwise be regulated by the Utah Coal Regulatory Program.
3. A reclamation bond is currently in place, adequately covering the James Canyon well surface disturbances and is posted with the Division of Oil, Gas and Mining.
4. The BLM exploration permit was reviewed by and incorporates the terms and conditions of the surface managing agency.
5. Given good and sufficient reclamation surety for surface disturbances, and in consideration of the reviews already conducted by this agency and the above noted federal land and resource managing agencies, amendment to the Skyline Mine MRP, is needed to bring the drilling/dewatering activities in compliance with the requirements of the Utah Coal Regulatory Program.

ORDER

Canyon Fuel Company, LLC, is hereby ordered to make the requisite permit changes in accordance with R645-303-220 and to submit a complete, adequate application for permit change to address the findings of permit deficiency. Within 30 days of receipt of this Order, the Permittee shall submit to the Division sufficient materials to amend the Skyline Mine MRP to incorporate all well activities at James Canyon into an approved MRP.

Ordered this 28th day of March, 2003, by the Division of Oil, Gas and Mining.



Lowell Braxton, Director
Division of Oil, Gas and Mining