

TRANSACTION REPORT

MAY-05-2003 MON 01:53 PM

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FOR: OIL, GAS & MINING

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**Canyon Fuel Company, LLC**

**Skyline Mines**

HC 35 Box 380

Helper, Utah 84526

Telephone: (435) 448-6463

Facsimile: (435) 448-2632

April 15, 2003

Ms. Mary Ann Wright, Associate Director  
 Division of Oil, Gas and Mining  
 Utah Department of Natural Resources  
 1594 West North Temple, Suite 1210  
 PO Box 145801  
 Salt Lake City, UT 84114-5801

*Incoming  
c/007/005  
Copy Baron,  
FAX PFO ✓*

Re: Minor Modification Request, Skyline Mine. Abandoned Mining Equipment  
6 Left B Longwall Panel, Mine 2

Dear Ms. Wright:

Near the end of year 2003, Canyon Fuel Company (Skyline) will finish mining the 12 Left A and B panels in the area referred to as South of the Dike. At that time all the mining equipment will be removed from the southern portion of the mine. The only remaining unmined coal south of the Mine 3, Level 2 West Mains will be the 6 Left B longwall panel. See attached map Figure 1, "General Location 6 Left B."

For some time we have dismissed the idea of mining 6 Left B due to problems that would be


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Re: Minor Modification Request, Skyline Mine, Abandoned Mining Equipment  
 6 Left B Longwall Panel, Mine 2

Dear Ms. Wright:

Near the end of year 2003, Canyon Fuel Company (Skyline) will finish mining the 12 Left A and B panels in the area referred to as South of the Dike. At that time all the mining equipment will be removed from the southern portion of the mine. The only remaining unmined coal south of the Mine 3, Level 2 West Mains will be the 6 Left B longwall panel. See attached map Figure 1. "General Location 6 Left B."

For some time we have dismissed the idea of mining 6 Left B due to problems that would be expected from stresses caused by previous mining above this area in Mine 1. For several years we have had to constantly rehabilitate the north end of the 6 Left entries as they provide men and material access, belt conveyor service to the South of the Dike area and access for critical mine dewatering pipelines out of the area. Rehabilitation work has included rebolting with roof bolts as long as 24 feet in length, installation of wooden cribs and roof support cans, and regrading the floor on three different occasions to maintain adequate height for passage of personnel and equipment.

In an effort to obtain maximum economic recovery of the natural resource and because of significant loss of reserves in other areas of the mine due to water inflow problems, Skyline has formulated plans to recover the 6 Left B longwall panel. However, these plans are not without risks to personnel and mining equipment.

We feel that mining 6 Left B longwall panel will result in ground conditions that necessitate abandoning the longwall equipment, perhaps even before the planned recovery area is reached. As part of the normal recovery of the face conveyor (or panline), two rows of roof bolts are installed using portable drills (similar to stopers) between the tips of the shields and the coal face to support the roof, thus allowing workers to safely disconnect and remove the pan sections along the face. Our experience has shown that normal six-foot roof bolts are completely

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inadequate to provide safe roof control in this squeeze area. It will not be possible to install sufficiently long enough bolts to provide a safe environment for removal of the face conveyor. Skyline's normal process of recovery of the face would be removal of the shields following removal of the face conveyor. If the face conveyor is not removed, it is impossible to remove the shields. Regardless, removal of shields from a longwall face at conclusion of mining in a panel involves replacing each shield with a wooden crib, one by one, from the tailgate end of the face to the headgate end of the face. Each shield is then dragged to the headgate end of the face through the area that had been occupied by the face conveyor. Based upon the roof conditions we have observed in the headgate entries over the past several years, we would expect that as a shield was pulled off the recovery line, the roof will fall in before a wooden crib could be built, creating an unsafe work area and bringing the process to a halt.

However, Skyline desires to mine the 6 Left B longwall panel in sequence after 12 Left A and B are mined if it can be done safely and not adversely affect continued operations (e.g. loss of longwall equipment with remaining life).

Canyon Fuel's Dugout Canyon Mine recently put into service a new set of longwall equipment and retired an older set of Meco shields. The Meco shields were purchased new by the Maple Creek Mine of US Steel in Alabama. Skyline purchased the Meco shields from Maple Creek in 1994 and had them rebuilt for use in Skyline's Mine 1. In 2001 the Meco shields were transferred to the Dugout Canyon Mine where they were used in the Rock Canyon 1 and 2 panels. Canyon Fuel's plans were to retire the shields at that time.

The Meco shield operating height range matches the height of the coal expected in 6 Left B. Skyline has modified its mine plan to extract the 6 Left B panel in the first quarter of 2004 utilizing the Meco shields. Canyon Fuel has no further use planned for the Meco shields following mining of 6 Left B.

Due to the very difficult roof and face conditions that are expected at the north end of the 6 Left B panel caused by interseam action from Mine 1 above, it will not be possible to safely recover the shields or face conveyor when the panel is finished. Skyline proposes to leave the shields (approximately 133 shields) and face conveyor in place on the longwall face at the approximate location labeled "6 Left B Recovery Line (Projected)." See attached map Figure 2, "6 Left B, Detail." Skyline will attempt to remove the shearing machine.

Hazardous substances contained in the equipment to be abandoned will be removed as follows:

1. As the longwall face approaches the end of the 6 Left B panel, emulsion fluid will be systematically replaced with straight water to operate the shields. This will effectively flush the emulsion fluid from the system prior to its abandonment.
2. When mining is completed, lubricating oil will be drained from the tail drive gearbox and torque converter of the face conveyor and properly disposed of in our oil recycling system. This can be done from a safe location beneath the longwall shields. We will plan to remove the head drive gearbox and torque converter. If however, conditions do not allow the head drive to be safely removed, we will drain the oil from the gearbox and torque converter as will be done on the tail drive.

3. Due to the adverse conditions that already exist in the headgate entry, it is not expected that we will be able to recover the stage loader. If conditions do not allow its recovery, we will drain the oil from the gearbox and torque converter as will be done on the tail drive.
4. Skyline will plan to remove the shearing machine. If however, conditions do not allow the shearing machine to be safely removed, we will drain all hydraulic, gearbox and other lubricating oils from the machine.
5. Face communication phones, which contain dry cell batteries, will be removed from the face prior to abandonment.

No other hazardous substances are contained in the equipment to be abandoned.

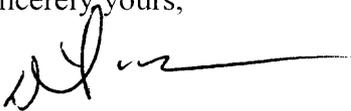
Following mining of 6 Left B and removal of all hazardous substances as detailed above, the entire 1 Left through 6 Left block of Mine 2 will be sealed as shown in the attached map Figure 3.

The ability to abandon the Meco shields and face conveyor in place on the 6 Left B face will allow us to safely mine the panel. Due to the ground conditions caused by the Mine 1 workings above, we do not feel that it will be possible to safely recover longwall equipment from this panel.

A request similar to this one is being sent to the Bureau of Land Management as a minor modification request to the Skyline resource recovery and protection plan.

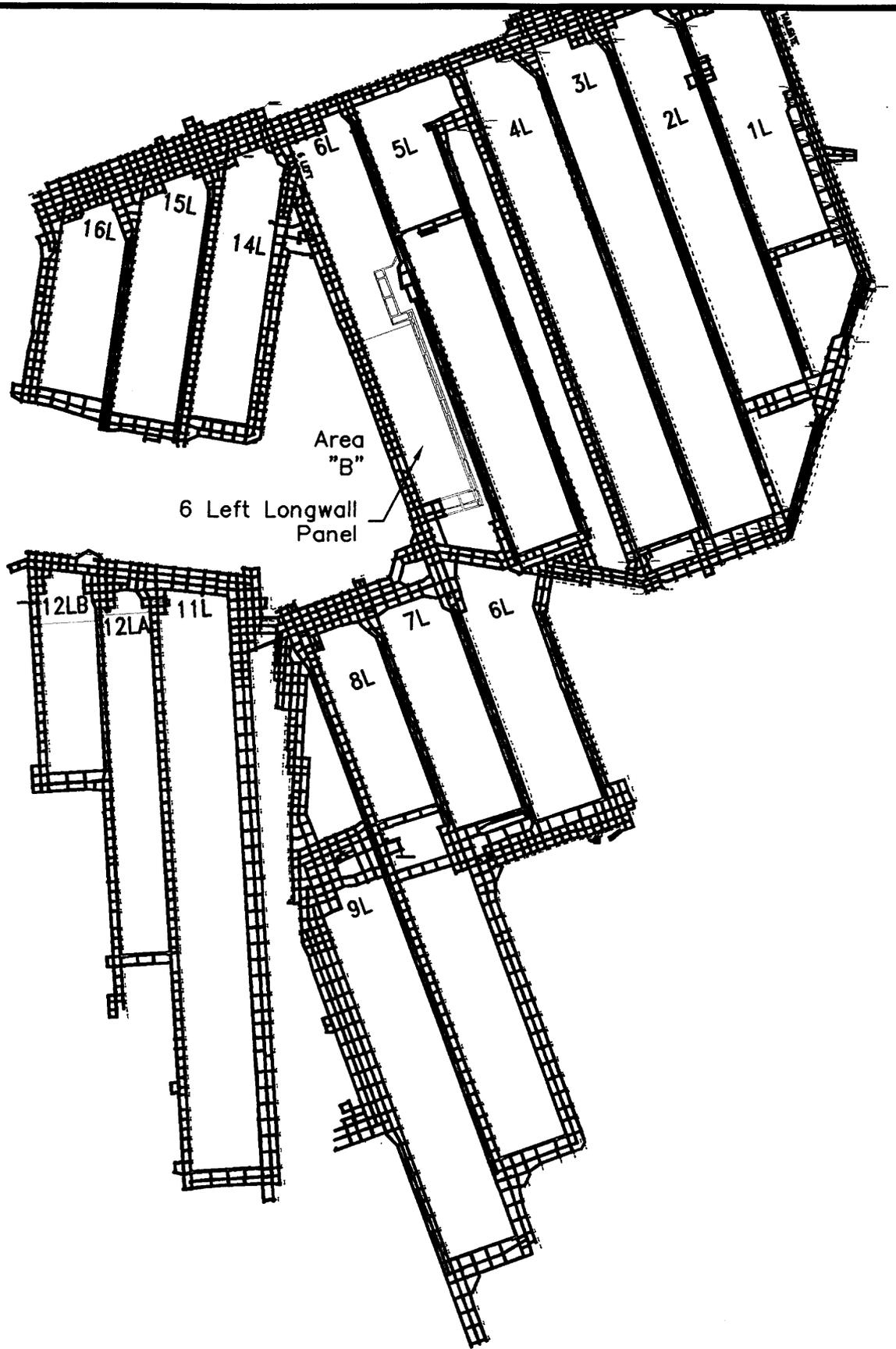
Your review and comments on this plan are requested. If you have any questions regarding this request please contact Chris Hansen at (435) 448-2669 or Doug Johnson at (435) 448-2609.

Sincerely yours,



Daniels R. Meadors  
General Manager

+ Attachments



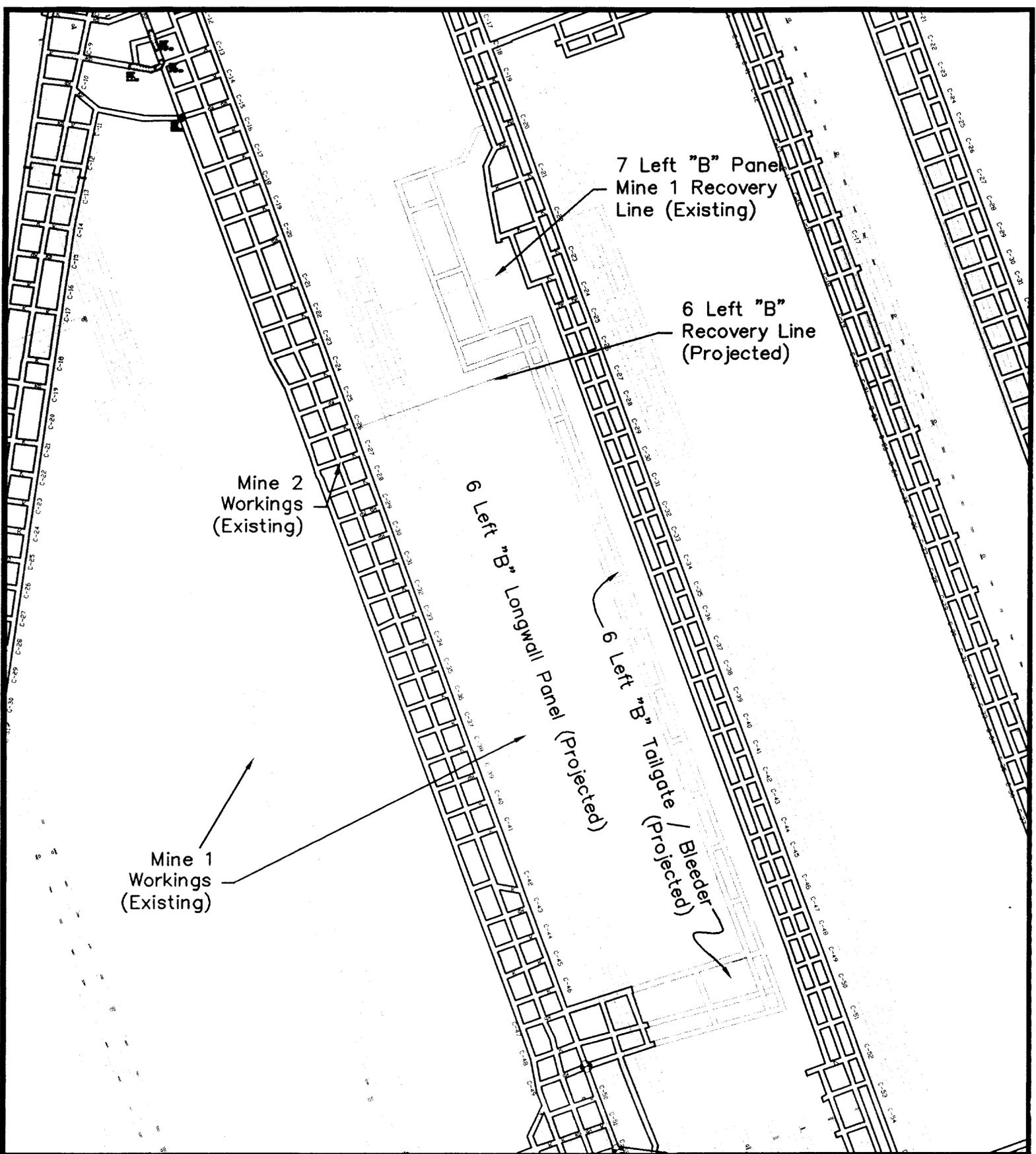
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**Figure #1**  
**General Location, 6 Left "B"**

**CF** Canyon Fuel Company, LLC  
 Skyline Mines

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Mine 1 Workings (Existing)

Mine 2 Workings (Existing)

7 Left "B" Panel Mine 1 Recovery Line (Existing)

6 Left "B" Recovery Line (Projected)

6 Left "B" Longwall Panel (Projected)

6 Left "B" Tailgate (Projected) / Bleeder

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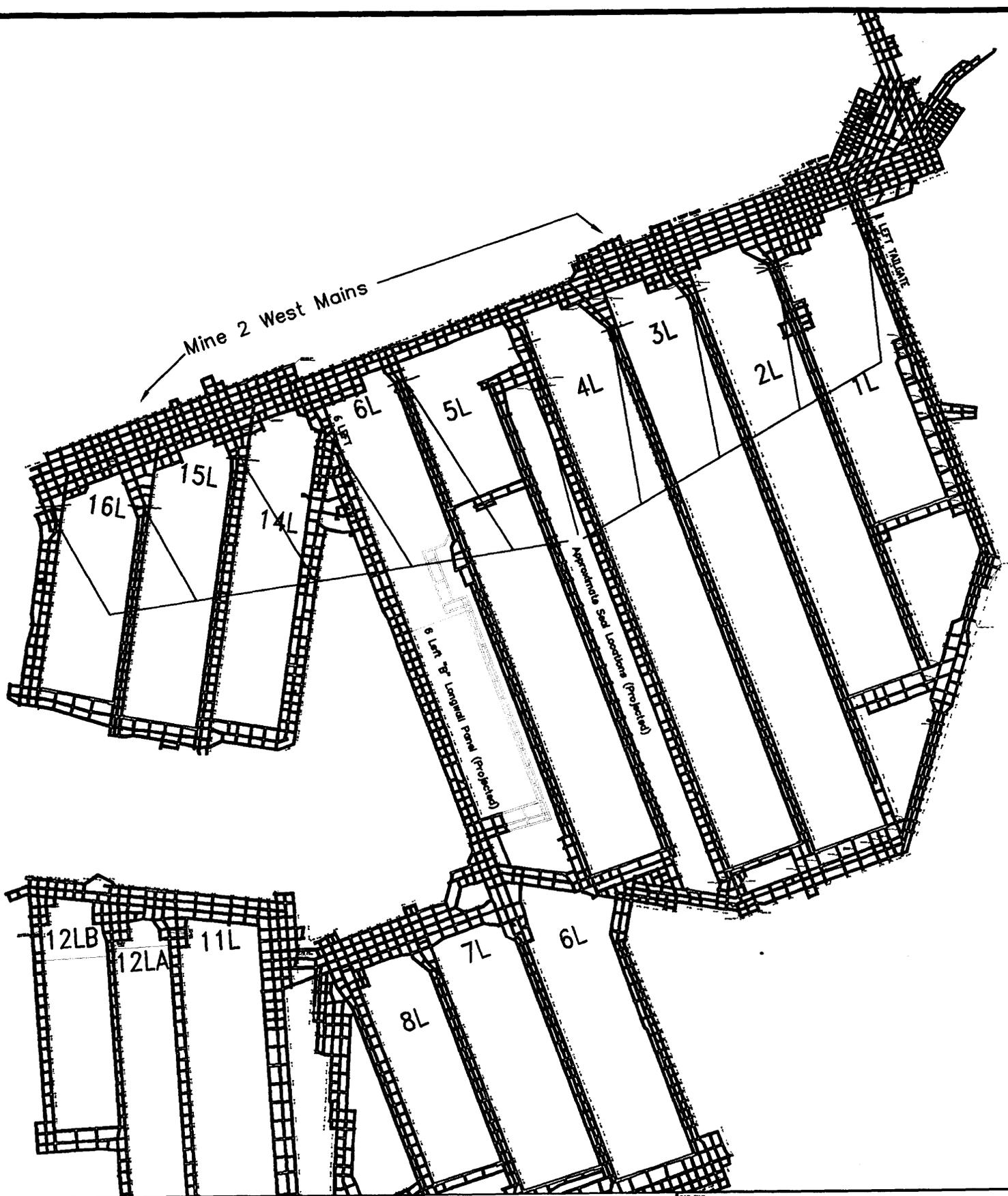
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**Figure #2**  
**6 Left "B" Panel, Detail**

**CF** Canyon Fuel Company, LLC  
Skyline Mines

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CF FILE

**Figure #3**  
**Approximate Seal Locations**  
**(Projected)**

**CF** Canyon Fuel Company, LLC  
 Skyline Mines

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