

January 6, 2005

John Brasher, Acting Mine Manager  
Canyon Fuel Company, LLC  
HC 35 Box 380  
Helper, Utah 84526

Re: HCI Ground Water Model Report in PHC, Canyon Fuel Company, LLC,  
Skyline Mine, C/007/0005, Task #1961, Outgoing File

Dear Mr. Brasher:

The following is a review of a proposed amendment to the Skyline Mine Mining and Reclamation Plan (MRP) initially received by the Division of Oil, Gas and Mining (DOG M) on October 9, 2003. The amendment was returned with deficiencies to the Operator on January 7, 2004, and modifications were re-submitted to DOGM on March 19, 2004. The DOGM review of Appendix J (modeling summary report) indicated additional information would need to be addressed for the DOGM to accept the conclusions. This is uncommon because appendix reports are not typically subject to DOGM comments. It was decided that Canyon Fuel Company (CFC), their consultant, DOGM and OSM personnel would meet in Denver to discuss improvements to the modeling. The meeting was conducted April 19, 2004. DOGM sent a letter outlining deficiencies and items discussed in the April 19, 2004 meeting on April 23, 2004. The response outlining the April discussions was submitted to the Division June 18, 2004. The June 2004 information included modifications to the MRP and Appendix K—a supplemental hydrologic modeling report that was supplemental to the original hydrologic modeling report, Appendix J. In early August 2004, DOGM personnel then reviewed the information supplied in June and provided additional comment to CFC concerning the MRP and modeling information via email correspondence. CFC personnel indicated they wanted to incorporate the DOGM August 2004 comments into the current permit modifications being reviewed. Those modifications were received by DOGM on November 19, 2004. The information included modifications to the Mine's Probable Hydrologic Consequence (PHC) section of the MRP, and additional hydrologic modeling information to be added to Appendix K, submitted in June 2004. The submittal proposes modifications to the MRP to include Appendix J, K, and a supplemental November 2004 memo addressing a numeric hydrologic model prepared by Hydrologic Consultants Inc. for the Skyline Mine. The amendments are currently considered adequate to meet the minimum requirement of the regulations and incorporation into the approved MRP is recommended.

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The Division is embarking on the process of developing a 'Master' Technical Analysis that encompasses all the required disciplines outlined in the regulations, that is both current and comprehensive. As part of that effort, the accompanying Technical Analysis (TA) is a continuation of the recently submitted North Lease Subsidence Mining modification TA combined with information from the 2002 North Lease Extension amendment. Subsequent permit modifications will use this same TA and eventually all sections of the TA will be modified to encompass the MRP as a whole—and not reflect specific permit modifications. Specifics of the modeling amendments are described in detail in the DRAFT Technical Analysis provided on CD in a redline-strikeout format. The Technical Analysis document presents the Division's technical review of the Mining and Reclamation Plan (MRP), including all amendments currently under review for permit C/007/0005, and lists all outstanding deficiencies identified by the Division.

No deficiencies accompany this cover letter because the information provided adequately addresses the minimum requirement of the regulations. Conditional approval is granted pending a commitment in the PHC to conduct additional simulations of the model in 2006 and evaluate whether additional modeling should be conducted every three (3) years in the future. Please provide this information by February 4, 2005. Once we receive this information, final approval will be granted, at which time you may proceed with your plans. A stamped incorporated copy of the approved plans will also be returned to you at that time, for insertion into your copy of the Mining and Reclamation Plan.

If you have any questions, please call me at (801) 538-5286 or Gregg Galecki at (801) 538-5260.

Sincerely,

D. Wayne Hedberg  
Permit Supervisor

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Enclosure  
cc: Price Field Office  
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