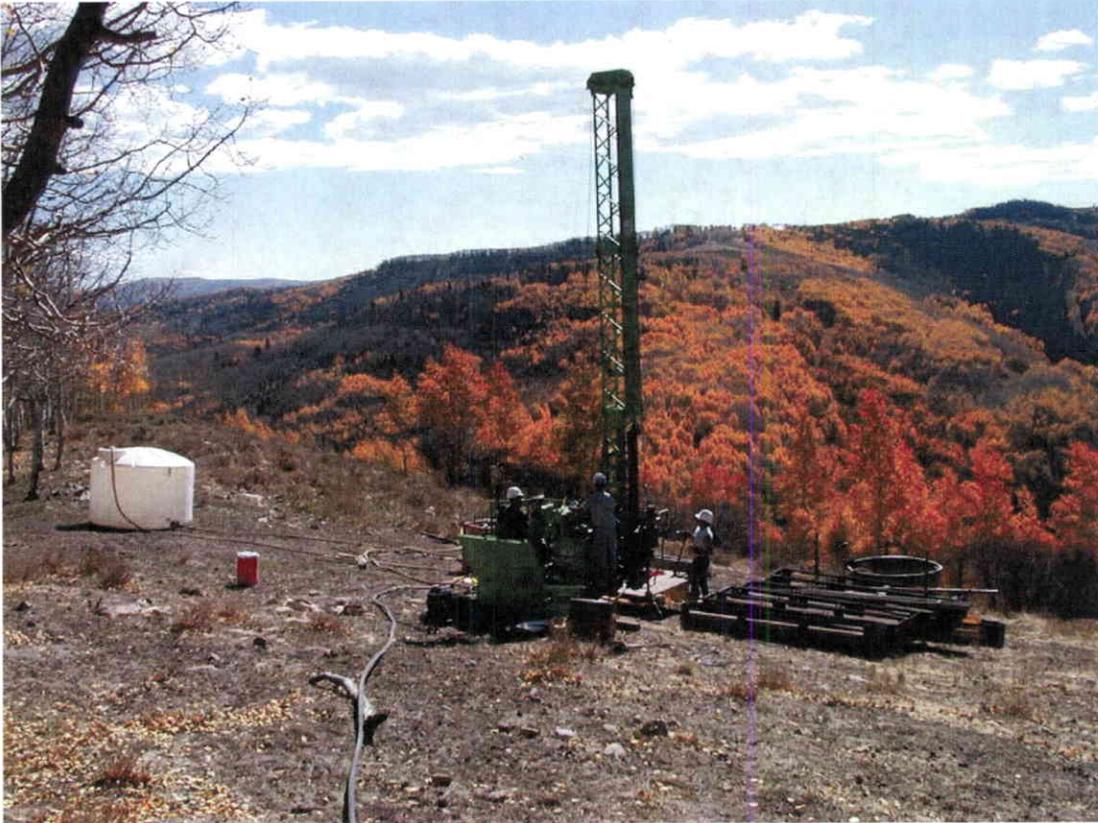


**NOTICE OF INTENT TO CONDUCT
MINOR COAL EXPLORATION**

**CANYON FUEL FEE COAL LEASE
WOODS CANYON**

RECEIVED
JUL 27 2006
OGM PRICE FIELD OFFICE



ARK LAND COMPANY
A Subsidiary of Arch Coal Inc.

JULY 2006

File in:

- Confidential
- Shelf
- Expandable

Refer to Record No. 0066 Date 07272006
In C/ 0070005 Summit
For additional information 0003

Confidential

APPROVED
AUG 19 2006
DIV. OF OIL, GAS & MINING

INTRODUCTION

Ark Land Company (a subsidiary of Arch Coal Inc.) is submitting this Notice of Intent to Conduct Minor Coal Exploration on behalf of Canyon Fuel Company, LLC – Skyline Mine to the Utah Division of Oil, Gas, and Mining (UDOGM) in order to obtain approval to conduct coal exploration and reclamation activities in the summer of 2006. The type of exploration proposed is wireline core drilling. One hole will be drilled on fee land belonging to the Allred Family Trust. The hole is located within a fee coal lease belonging to Canyon Fuel Company. All exploration activities will occur on private land although access to the land will be via USFS roads. This application is formatted to address the specific requirements of R645-201-200. Other related information is given in Appendix A through D. Five copies of this notice are submitted.

R645-201 Coal Exploration: Requirements for Exploration Approval

The proposed exploration plan qualifies as minor exploration as described in the State of Utah Coal Mining Rules R645 section R645-201-200.

R645-201-221

The name, address and telephone number of the applicant are:

Ark Land Company
C/o Skyline Mine
HC 35 Box 380
Helper, Utah 84526 (work) 435-448-2633

The applicant is the same as the operator of the proposed exploration plan. Correspondence regarding this exploration plan should be addressed to:

Mark Bunnell
Ark Land Company
C/o Skyline Mine
HC 35 Box 380
Helper, Utah 84526 (work) 435-448-2633

R645-201-222

The name, address and telephone number of the representative of the applicant who will be present during and be responsible for conducting the exploration is:

Mark Bunnell
Ark Land Company
C/o Skyline Mine
HC 35 Box 380
Helper, Utah 84526
(work) 435-448-2633 (home) 435-637-6690

At times a consulting geologist may act as representative of the applicant. The UDOGM and USFS will be notified of the consulting geologist's name and address if one is used.

R645-201-223

The exploration area is generally located in central Utah 2 miles west of Scofield (Map 1). The legal description of the Canyon Fuel Company fee coal lease is as follows:

T. 12 S., R. 6 E., Salt Lake Base and Meridian
Sec. 24, E1/2, E1/4
Sec. 25, E1/2, E1/2
Sec. 36, N1/2, N1/2; S1/2, S1/2

T.12 S., R. 7 E., Salt Lake Base and Meridian
Sec. 30, SW1/4
Sec. 31, NW1/4, NW1/4; SW1/4,SW1/4

T.13S., R. 6 E., Salt Lake Base and Meridian
Sec. 1, W1/2
Sec. 12, NW1/4, NW1/4; SW1/4, SW1/4

Containing 1,200 acres more or less

The lease is totally located in Carbon County, Utah. The lease document is included in Appendix D. Map 2 shows proposed borehole (E-06) location and Forest Development Road that will be used to access the exploration area. Site E-06 is located on private surface land belonging to the Allred Family Trust. The surface access and use agreement is included in Appendix C.

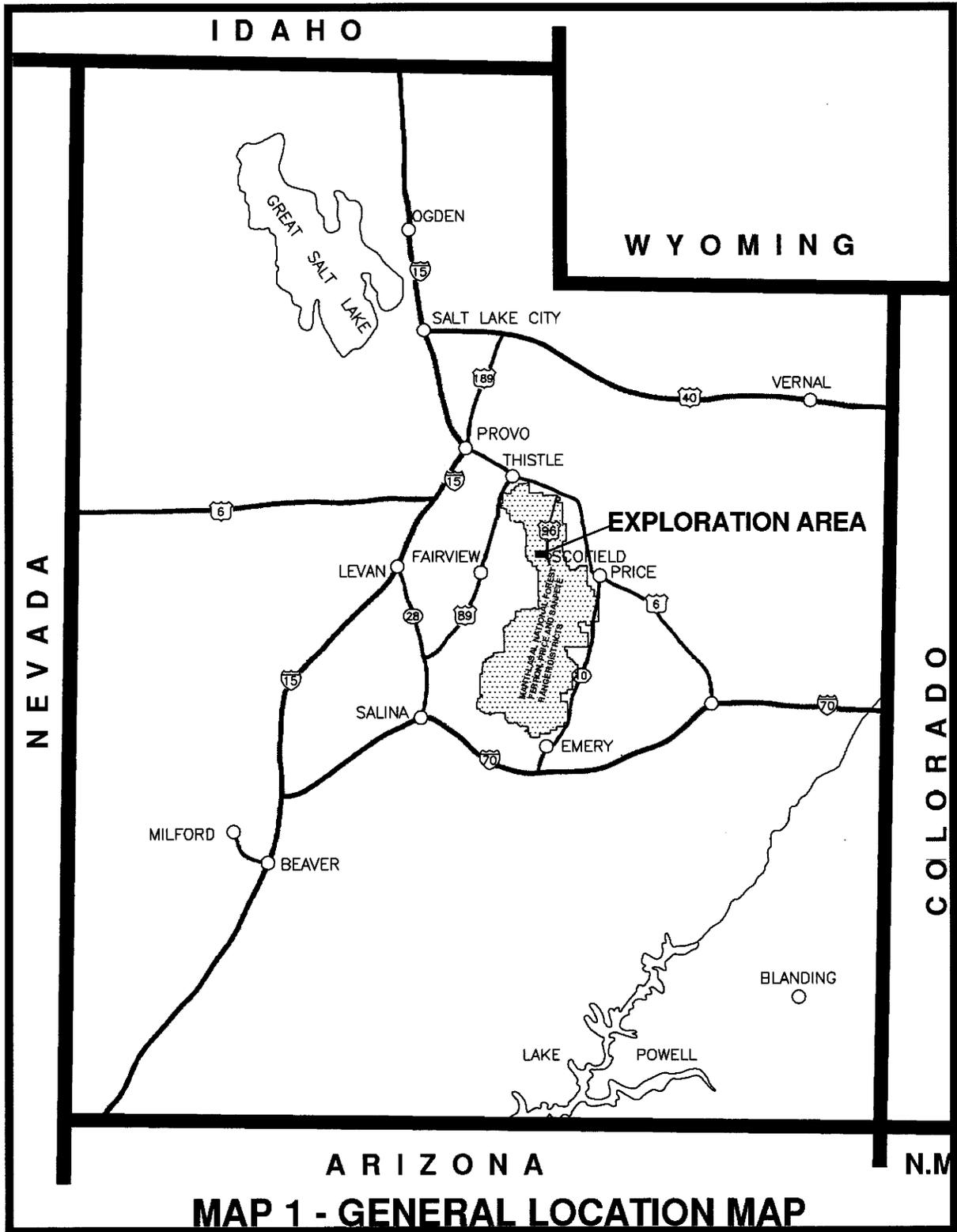
The proposed exploration area is located in Woods Canyon (Map 2). The area lies within the Wasatch Plateau physiographic province. Woods Canyon drains eastward into Mud Creek just north of the town of Scofield. Topography in the area is mountainous with narrow east-west trending ridges and deep canyons. Elevation ranges from approximately 8000 ft. to 9100 ft.

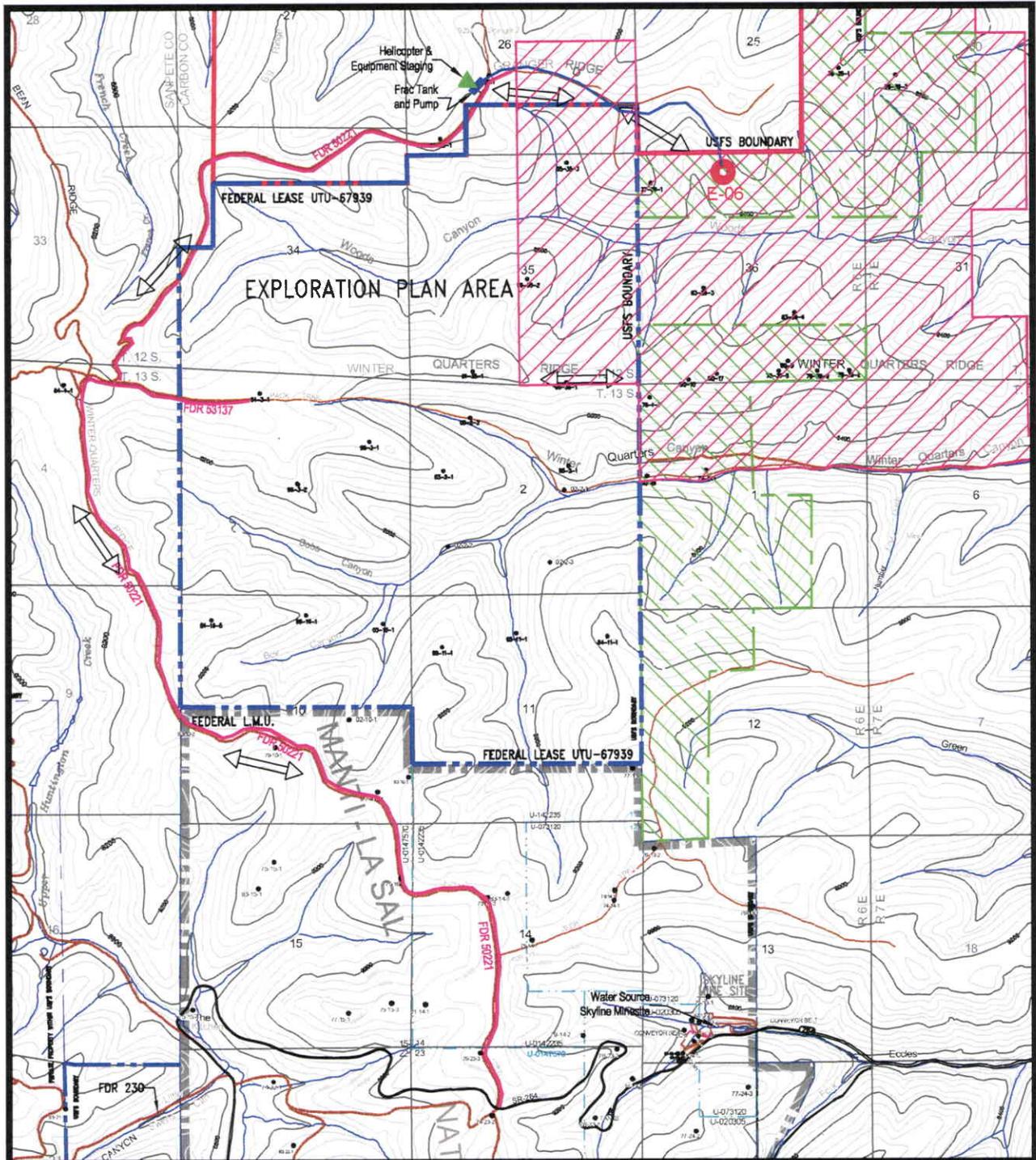
The exploration area is underlain by sedimentary rocks of late Cretaceous age. Two formations crop out in the area including the coal-bearing Blackhawk Formation and the overlying Price River Formation. At least two potentially mineable coal seams occur in the area including the Lower O'Connor A seam and the Flat Canyon (also called Woods Canyon) seam.

Strata in the area dip uniformly from 2 to 8 degrees west-northwest. Several faults have been identified in the area. A number of igneous dike zones are also projected in the exploration area.

Rock types are predominantly sandstones, siltstones, shale and coal.

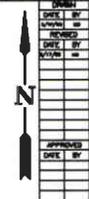
Vegetation in the exploration area occurs in the Mountain Brush and White Fir/Spruce plant communities. Woods Creek supports game fish. The exploration area is important habitat for raptors, elk, mule deer, cougar, bobcat, black bear, and small mammals. The area is habitat for a limited number of reptiles and amphibians. Drill hole E-06 is located on a southwest-facing sagebrush slope.





- E-06 Proposed Helicopter Drill Site
- ▲ Helicopter and Equipment Staging Area
- Proposed Water Tank Location, 10,000-20,000 gal Frac Tank
- 1 to 4 in. Waterline (hdpe)
- ▲ Water Pump/Tank Location
- Proposed Forest Road Use
- Approx. Helicopter Flight Route
- Surface Owner Allred
- County Coal Lease Canyon Fuel Co.

MAP 2



ARK LAND COMPANY
 SKYLINE MINES, INC. 300 BOX 300, HELPER, UT, 84030

**MINOR COAL EXPLORATION PLAN
 WOODS CANYON 2006
 DRILL HOLE E-06**

APPENDIX	FILE NO.	SHEET NO.
DRILL SITE		
PROPOSED FOREST ROAD		
DATE BY		

SCALE 1" = 3000'

R645-201-225

Threatened, endangered, or special interest species in the exploration area include the goshawk, sage grouse, bald eagle and peregrine falcon. Exploration and reclamation activities will not occur within one half mile of known breeding and nesting areas during breeding or nesting periods. Information concerning threatened and endangered species is included in the Winter Quarters Tract EIS as well as the approved Skyline Mine mining and reclamation plan. In addition, the U.S. Forest Service has completed numerous wildlife and BEBA analyses of the Woods Canyon/Winter Quarters Canyon area for exploration plans over the past 20 years. Appendix A (confidential file) contains the 2005 BEBA and Wildlife Resources reports for the area. Also included in Appendix A is a Northern Goshawk and Elk Survey conducted by Maxim Technologies in the June of this year. Their survey covers the area of the proposed hole location. No Mexican Spotted owls are known to occur in the area.

There are no known districts, sites, buildings, structures, or objects listed on, or eligible for listing on, the National Register of Historic Places in the proposed exploration area. There are no known archeological resources located in the proposed exploration area. Numerous cultural resource evaluations of previous exploratory drilling locations in the Winter Quarters Canyon, Woods Canyon, and Granger Ridge area have been completed in recent years. Appendix B (Confidential File) is a site-specific cultural resource evaluation for location E-06. The report was submitted by the archeologist to SHPO on 7/21/06.

R645-201-224

A timetable for exploration related activities is given below. It is anticipated that exploration activities will start on approx. Aug. 10, 2006. This timetable may vary somewhat depending on factors such as weather.

EVENT	WEEK1	WEEK 2
Set pump, frac tank and run water line to site	██████████	
Move drill equipment to site and drilling	██████████	██████████
Reclaim any disturbance, remove frac tank, water line		██████████

R645-201-225

The general method to be followed during drill hole exploration, reclamation, and abandonment is: 1) fly drilling equipment to drill site, 2) prepare drill site as shown on Fig. 1, 3) set temporary water tanks, pumps, and water lines, 4) drill and log hole, and 5)

reclaim drill site and remove waterline, tank, and pump. No road building will occur and no blasting will be done for road building or repair. A U.S. Forest Service road use permit is in place. Access to drillsites will be accomplished by ATV or track vehicle. A trackhoe may be utilized for trail reclamation reclamation once drilling is completed.

Drilling will be accomplished utilizing continuous core drilling techniques. Drilling will involve one heliportable core rig capable of drilling 1800 ft. with necessary support equipment such as rod trays, supply trailers, portable water tanks, fuel tanks, etc. The drilling procedure will be to continuously core to total depth utilizing water, foam, polymer, and/or mud as drilling medium.

To eliminate the need for road and drillpad construction, the planned drilling method is helicopter-supported continuous wireline core drilling. The entire borehole will be core drilled from surface through the lowest coal seam horizon. Exploration equipment for the drilling phase will include 1 heli-portable skid-mounted core drilling rig together with all necessary heli-portable equipment such as drill rod trays, mud tanks, water tanks, water pump, etc.

Core drilling will involve one skid-mounted 1800 ft rated core drill, one or two 1000 gal. poly water tanks at the drill rig, two water trough-type mudtanks, and 4 to 6 drill rod trays. Other support equipment will include 4000 gallon water trucks to supply the 18,000 gal. frac tanks at staging areas, one 1500 gallon water/fire truck, two to four 18,000 gallon frac tanks at staging areas depending on water usage, two to three supply trailers parked at staging areas, up to 8 pick-up trucks, and a geophysical logging truck. The drilling procedure for the exploration holes will be to continuously core to total depth. One hundred to 200 ft. of surface casing will be set in each hole depending on hole conditions. The hole will be completed as a water monitor well due to the relative small size of the track-mounted or heli-portable drilling equipment. Water will be hauled from Skyline Mine to the staging area. Fifth-wheel supply trailers or transport trailers will carry the heli-portable equipment, including drills, drill steels, coring equipment, drilling additives, cutting and welding equipment, and other supplies to the staging area. The staging area is located on USFS land and is permitted under BLM Minor Coal Exploration License UTU-82243 and BLM Exploration Plan UTU-67939. One pick-up truck will be used for each drill rig by the drillers to carry personnel, fuel, and supplies to the staging area and two to three pickup trucks will be used by the water system contractor. The logging contractor will use a single axle 1 ton rated truck. The company representative and geological consultant will also use pick-up trucks for transportation to the staging area.

Backup and auxiliary equipment to be located at the staging areas will include but not be limited to one or two 18,000 gal. frac (water) tank(s), two to three supply trailers, drilling fluid containers, two 4000 gal. water trucks, a fuel truck or or double lined fuel tank, four to 8 pickup trucks, a covered tool supply trailer, and a geophysical logging truck.

Water for drilling and road watering will be hauled from Skyline Mine (location shown on Map 2) into one or two 18,000 gal. frac tanks. A Triplex pump or equivalent will be located at the staging area tank site for pumping water to the drill site. The pumps will be

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AUG 14 2006

underlain by pitliner or brattice. Water will be pumped via 1, 2, and 3 inch HDPE waterline. An approved Temporary Water Change from the Division of Water Rights is in place. Copies of approved Temporary Water Changes will be forwarded to the Division prior to project startup. Where not located adjacent to an existing road, waterline will be placed and removed via horseback, helicopter, or on foot.

The only coal to be removed during exploration activities will be cores. Cores will nominally be 1.4 inches (BQ) in diameter. Given an approximate projected thickness of 9 ft. for the Lower O'Connor A seam and 8 ft. for the Flat Canyon (Woods Canyon) seam, approximately 25 lbs. of coal will be removed.

No temporary road construction is planned for this project

Regulations cited in R645-202-232 relative to roads will be followed as they apply. No road construction is planned. Disturbance to wildlife will be minimized by utilizing the existing trails and eliminating the need to build roads with heavy equipment. No wetlands or riparian are known along the proposed routes. No utility or support facilities are present in the area.

Reclamation will occur as soon as possible upon completion of drilling operations. Reclamation will include filling in any hand excavations and reseeding the disturbed surface with the approved seed mix. No damage to public or private property will occur.

Drill locations will be setup approximately as shown on figure 1. Earth excavation for the drill sites will be minimal using hand tools only. Some minor leveling for placement of wood crib blocking for leveling of drill may be required. Minor amounts of topsoil that may be removed will be stored and replaced upon completion of drilling. No mud pits will be excavated. Portable mudtanks will be utilized. Cuttings will be stored and hauled away to the Skyline Mine waste rock site by helicopter or truck upon completion of drilling.

Reclamation is an integral part of the exploration activities and will progress as contemporaneously as practical with the other exploration activities. Upon completion of the hole, all hand excavations will be filled in to original contour, topsoil replaced, all equipment will be removed, and all trash will be hauled away. An approved seed mix will then be applied to the drill area.

There will be no diversion of overland flows.

It is not anticipated that acid- or toxic- forming materials will be encountered during exploration because none have been encountered previously. Samples of drill core will be analyzed for acid- and toxic-forming materials. These samples will be taken from the 10 ft. interval above and below each seam of minable thickness. Cuttings and excess core will be hauled away to the Skyline Mine approved waste rock site where they will be buried by more than 4 ft.

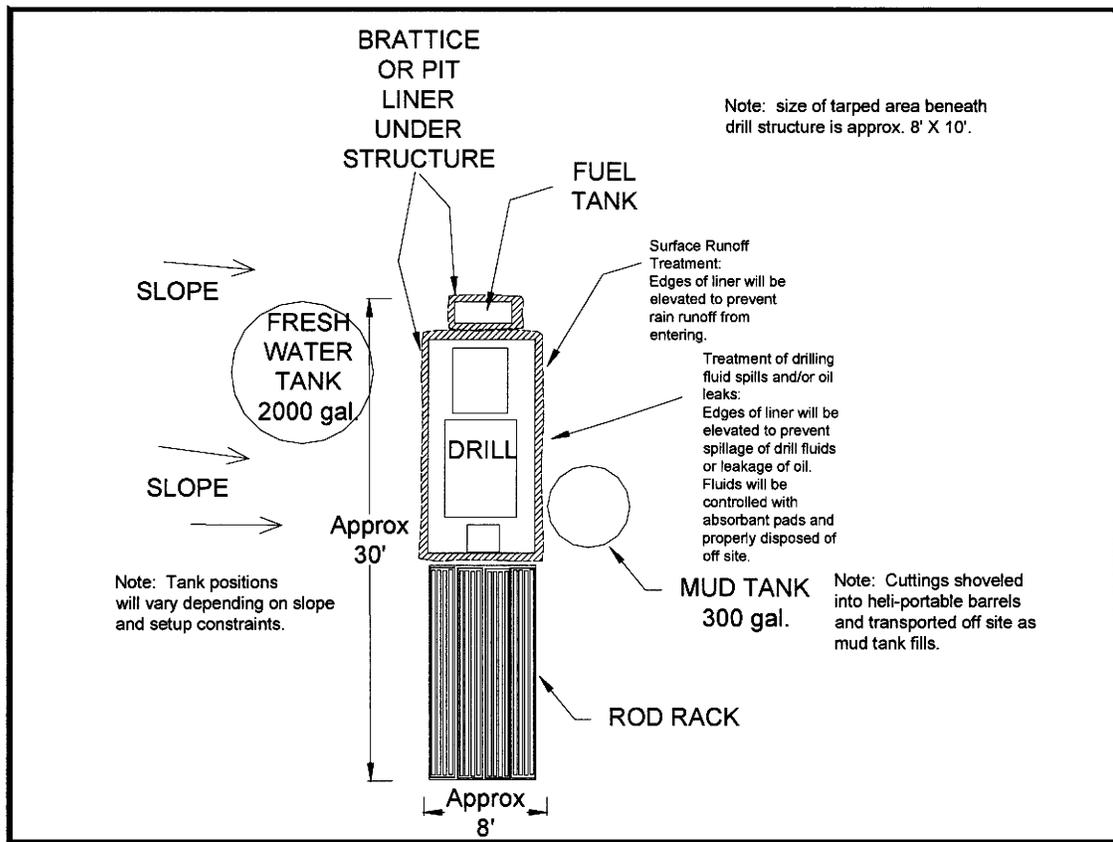


Figure 1. Typical heli-portable drillsite setup.

The method of revegetation is intended to encourage prompt revegetation and recovery of a diverse, effective, and permanent vegetative cover. The following seed mix has been proscribed by the U.S. Forest Service for reclamation of 2006 Granger Ridge and Winter Quarters/Woods Canyon drill holes immediately west of E-06 (the seed mix as approved by UDOGM will be utilized):

Seed Mix

		<u>Pounds PLS/acre</u>
Western Wheatgrass	Elymus smithii	2
Basin Wild Ryegrass	Elymus cinereus	1
Intermediate Wheatgrass	Elymus hispidus	2
Paiute Orchardgrass	Dactylis glomeratus	2
Slender Wheatgrass	Elymus trachycaulum	2
Mountain Brome	Bromus carinatus	2
Perennial Ryegrass	Lolium prene	1
Blue Leaf Aster	Aster glaucodes	1
Lewis Flax	Linum lewisii	0.5
Small Burnet	Sanguisorbia minor	1

TOTAL

14.50

The pure live seed (PLS) rating will be 99% containing a maximum of 1% weeds, none of which are toxic and only seed meeting the State Seed Act will be used. Certification tags will be retained by the permittee. The vegetative cover resulting from this seed mix is considered capable of stabilizing the soil surface from erosion.

Map 2 shows the location of the proposed drill site and the Forest Service road used for access. Equipment access to the exploration area will be via FDR 50221 to the tank/pump location and staging area/landing zone location. The staging area/landing zone location is already permitted for an existing Federal Exploration License which is occurring concurrently with this project.

Upon completion of drilling, the holes will be plugged and abandoned with a cement, bentonite, or cement/bentonite slurry to full depth. A brass tag will be placed at the top of the drill hole stating the operator's name, drill hole number, and legal description. The tag will be placed in cement at ground level.

The main drill hole diameter will be nominally 2.4 inch diameter. Approximately 200 to 300 ft. of surface casing (3 inch) will be set. Estimated depth and other drill hole information is given in the following table. Disturbed area will include minor hand excavation on the drillsite. Total disturbed area acreage is estimated at 0.003 acres (10' X 12', hand excavation only)

Drill Site	Location	Total Depth (ft)	Disturbed Area (acres)
Site E-06	NE, NW, 36, T12S, R6E	1150	0.003
		TOTAL	0.003

There are no occupied dwellings or pipelines located in the exploration area. No trenches will be dug and no structures will be constructed nor debris disposed of in the exploration area. The permittee or his representative will have a copy of this Notice of Intention To Conduct Minor Coal Exploration while in the exploration area available for review by an authorized representative of the Division by request.

R645-203-200

Ark Land Company requests that the Division not make any drilling information available for public inspection relative to coal seam thickness or quality. This information is considered crucial to Ark Land's competitive rights.

R645-202.230

No adverse impacts to stream channels will occur during water pumping or drilling activities. An approved "Temporary Change of Water" is in place with the Division of Water Rights. It is projected that approx. 0.6 acre/ft. of water will be utilized during the project.

R645-202-231

A site specific cultural resource survey has been conducted for site E-06. A copy of the cultural resource survey is included as Appendix B (confidential). Threatened, endangered, and sensitive plant and animal survey information has been developed by the U.S.F.S. and Maxim Technologies during their work relative to Canyon Fuel/Ark Land's 2005 Exploration License and Plan approvals and analysis work for the current year plan approvals (Appendix A, confidential). No nests were observed during those surveys.

TES protection measures include the use of Heli-portable water pumping equipment which will minimize surface disturbance as well as use of drilling equipment that will not require road construction. Pumping of most or all project water through waterlines will minimize water truck traffic on permanent roads.

R645-202-232

No new road construction is planned for this project.

R645-202-235 (R645-301-624.210, R645-301-731.121, R645-301-731.215))

Geologic logs of drilling will be kept. Any appreciable water encountered during drilling will be logged, noting depth, geology, and estimated flow. Any such zones will be evaluated for potential water monitoring.

Figure 1 shows a drawing of the approximate drillsite setup.

If the drill hole begins to make excess water, such water will be pumped from the mudtank to a larger 18,000 gal. frac tank at the staging area. From there it will be hauled to an approved waste water disposal site off Forest lands. At no time will excess drill water generated in the drill hole be allowed to run on topsoil on the surface.

R645-301-525-200

No major utilities pass over, under, or through the exploration area. Use of roads and development of the exploration site will not disrupt or damage any utility service.

R645-301-527.230

U.S. Forest system roads utilized as part of this minor coal exploration plan will be maintained as per U.S.F.S. authorized road use permit, including proper control of fugitive dust to minimize effects to fish, wildlife, and related environmental values. An approved road use permit is in place.

R645-301-731.100

An approved Temporary Changes of Water for water to be used in the drilling process is in place.

R645-301-742.410 thru 742.420

Minimal surface disturbance will be required for the drilling project. Disturbance will be limited to the drillsite. No changes will occur to drainage patterns. As shown on Figure 1, the drill will be setup such the the underlying pit liner or brattice material will not allow water runoff to the surrounding soils. Water that collects in the brattice or pit liner

will be pumped or drained to the mudtank. No perennial or intermittent stream drainages will be crossed. Excess water will be removed and placed in the drill water tank for use in the drilling process or hauled to an approved waste water disposal site. Contributions of suspended solids will not occur.

The potential for water pollution will be minimized by keeping pollutants away from the drill hole and in their containers. Materials used during drilling operations will be selected to be as non-polluting as possible. All spills of polluting materials will be removed from the area and properly disposed of.

2. No mixing of surface and ground waters is possible because all drill sites will be above perennial and ephemeral stream drainages.
3. Drill fluids and/or cuttings will be contained within mudtanks. If necessary, excess fluids will be pumped out and excess drill cuttings and core will be hauled off and disposed of properly.
4. Skyline Mine and Ark Land Company will retain all drill and geophysical logs.