Canyon Fuel Company, LLC.
Skyline Mine
A Subsidiary of Arch Western Bituminous Group, LLC.

Gregg Galecki, Environ. Coordinator
HCR 35, Box 380
Helper, UT 84526
(435) 448-2636 - Office
(435) 448-2632 - Fax

Fire proof
C0070005

August 31, 2006

Ms. 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: Exhibit D for Reclamation Bond, Canyon Fuel Company, LLC, Skyline Mine, C/007/005,

Dear Ms. Grubaugh-Littig:

Please find enclosed with this letter, an original signed and notarized copy of Exhibit D for the Reclamation Bond. I anticipate receiving a copy of this back once it is signed by the Director of the Division of Oil, Gas, and Mining.

If you have any questions, please call me at (435) 448-2636.

Sincerely,

Gregg A. Galecki
Environmental Coordinator, Skyline Mine
Canyon Fuel Company, LLC

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FILE IN Expandable 08312006
Refer to Record No. 0073
in C0070005, 2006, Incoming
for additional information

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EXHIBIT "D"

Stipulation to Revise Reclamation Agreement (Federal)

Exhibit "D"
Stipulation to Revise
Reclamation Agreement
Federal

Permit Number: C/007/005
Effective Date: _____
Bond Number: _

COAL
STIPULATION TO REVISE RECLAMATION AGREEMENT
--ooOOoo--

This **STIPULATION TO REVISE RECLAMATION AGREEMENT** entered into by and between the **PERMITTEE** and **DIVISION** incorporates the following revisions or changes to the **RECLAMATION AGREEMENT**: (Identify and Describe Revisions below)

Attached is a Surety Rider and other supporting documentation indicating the Reclamation Bond has been increased from $5,076,000.00 to $5,137,000.00.

In accordance with this **STIPULATION TO REVISE RECLAMATION AGREEMENT**, the following Exhibits have been replaced by the **PERMITTEE** and are approved by the **DIVISION**.

_____ Replace the Reclamation agreement in its entirety.

_____ Replace Exhibit "A"- bonded area.

__X__ Replace Exhibit "B"- bonding agreement

_____ Replace Exhibit "C"- liability insurance

The bonding amount is revised from $5,076,000.00 to $5,137,000.00.

The bonding type is changed from _____ to _____.

The surface disturbance is revised from _____ acre to _____ acres.

The expiration date is revised from _____ to _____.

The liability insurance carrier is changed from _____ to _____.

The amount of insurance coverage for bodily injury and property damage is changed from

$_____ to $_____.

IN WITNESS WHEREOF, _____ the **PERMITTEE** has hereunto set its signature and seal this _____ day of _____, 20___.

PERMITTEE

By: Gene E. DiClaudio

Title: Chief Executive Officer

ACCEPTED BY THE STATE OF UTAH this ___ day of _____, 20___.

Director,
Division of Oil, Gas and Mining

NOTE: An **Affidavit of Qualification** must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power or Attorney of a company, such Power of Attorney must be filed with this Agreement. If the **PERMITTEE** is a corporation, the Agreement shall be executed by its duly authorized officer.

Bond Number 400SA1919

AFFIDAVIT OF QUALIFCATION
PERMITTEE/OPERATOR
--ooOOoo--

Gene E. DiClaudio, being first duly sworn under oath, deposes and says that he is the President of Arch Western Bituminous Group; and that he is duly authorized to execute and deliver the foregoing obligations; and that said PERITTEE/OPERATOR is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.

G E DiClaudio, President

Subscribed and sworn to before me this 30th day of August, 2006.

F. Jean Morris
Notary Public

My Commission Expires:

May 13, 2009.

Attest:

F JEAN MORRIS
Notary Public
State of Colorado

STATE OF Colorado)

COUNTY OF Mesa)

Canyon Fuel Company, LLC.
Skyline Mine
A Subsidiary of Arch Western Bituminous Group, LLC.

Gregg Galecki, Environ. Coordinator
HCR 35, Box 380
Helper, UT 84526
(435) 448-2636 - Office
(435) 448-2632 - Fax

August 31, 2006

Task #2633

Mr. D. Wayne Hedberg
Permit Supervisor
Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

RE: Response to Task ID #2417, Modifying M&RP Table of Contents, Canyon Fuel Company, LLC, Skyline Mine, C/007/005,

Dear Mr. Hedberg:

Please find enclosed with this letter are modifications to the M&RP Table of Contents (TOC) per Task ID # 2417. The necessary modifications to the TOC were identified during an M&RP side-by-side evaluation conducted with Ms. Ernstsen on November 14, 2005. This submittal includes completed C1 and C2 forms and both eight (8) redline/strikethrough and eight (8) clean copies of modified text. The requested tabs are supplied for two (2) sets of DOGM M&RP. In addressing bullet item #3 under Volume A-2 Volume 2, the Table of Contents has been modified to reflect that multiple copies of the same report are provided in respective appendices.

If you have any questions, please call me at (435) 448-2636.

Sincerely,

Gregg A. Galecki
Environmental Coordinator, Skyline Mine
Canyon Fuel Company, LLC

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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: Table of Contents Modifications
Description, Include reason for application and timing required to implement:
Modification to the M&RP Table of Contents response to task ID # 2417

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.

Wesley K Sorensen — Print Name
Wesley K Sorensen 8/31/06 — Sign Name, Position, Date
General Manager

Subscribed and sworn to before me this 31st day of Aug, 2006

Notary Public

My commission Expires: 12/2, 2007
Attest: State of Utah } ss:
County of Carbon

For Office Use Only:	Assigned Tracking Number:	Received by Oil, Gas & Mining
		RECEIVED SEP 05 2006 DIV. OF OIL, GAS & MINING

Form DOGM- C1 (Revised March 12, 2002)

APPLICATION FOR COAL PERMIT PROCESSING
Detailed Schedule Of Changes to the Mining And Reclamation Plan

Permittee: Canyon Fuel Company, LLC
Mine: Skyline Mine **Permit Number:** C/007/005
Title: Table of Contents corrections for Appendix Volume A-2 and A-2 Volume 2 response to task ID #2417

Provide a detailed listing of all changes to the Mining and Reclamation Plan, which is required as a result of this proposed permit application. Individually list all maps and drawings that are added, replaced, or removed from the plan. Include changes to the table of contents, section of the plan, or other information as needed to specifically locate, identify and revise the existing Mining and Reclamation Plan. Include page, section and drawing number as part of the description.

			DESCRIPTION OF MAP, TEXT, OR MATERIAL TO BE CHANGED
☐ Add	☒ Replace	☐ Remove	
☒ Add	☒ Replace	☐ Remove	Replace Table of Content Page in Appendix Volume A-2
☐ Add	☒ Replace	☐ Remove	Replace Table of Contents Page in Appendix Volume A-2, Vol.2
☐ Add	☒ Replace	☐ Remove	Replace Table of Contents Page in Appendix Volume A-3, Vol. 2
☒ Add	☐ Replace	☐ Remove	Add provided tabs to Volume A-2 , Vol.2 and Volume A-3, Vol. 2
☐ Add	☐ Replace	☐ Remove	
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Any other specific or special instruction required for insertion of this proposal into the Mining and Reclamation Plan.

Eight (8) redline-strikout and eight (8) clean copies submitted.

Received by Oil, Gas & Mining
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DIV. OF OIL, GAS & MINING

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VOLUME A-2

Revised: 08-29-06

Table of Contents

VOLUME A-2, Volume 2

Revised 08-29-06

Mule Deer and Moose, H. D. Smith, C.L. Pritchette, M. Oveson, E. Robey, (12/1981)

~~Baseline Data Report on Presence and Utilization of Eccles Canyon by Elk, Mule Deer and Moose~~

AVIFAUNA REPORTS

Skyline Mine Project - Interim Findings, 8 June 1980, Clayton M. White, Dept. of Zoology, Brigham Young University

The Avifauna and Raptors of the Skyline Mine Project (1980)

Additional Avifauna Information located in Confidential Binder

~~Additional Wildlife Information located in Confidential Binder~~

Revised 08-29-06

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Revised: 08-29-06

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VOLUME A-2

Baseline Data Report on Presence and Utilization of Eccles Canyon aby Elk, Mule Deer and Moose, H. D. Smith, C.L. Pritchette, M. Oveson, E. Robey, (12/1981)

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VOLUME A-2, Volume 2

Revised 08-29-2006

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Revised: 08-29-06

Canyon Fuel Company, LLC.
Skyline Mine
A Subsidiary of Arch Western Bituminous Group, LLC

Gregg Galecki, Environ. Coordinator
HCR 35, Box 380
Helper, UT 84526
(435) 448-2636 - Office
(435) 448-2632 - Fax

Task ID # 2634

August 31, 2006

Ms. 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: New Sedimentation Pond at Waste Rock site, Canyon Fuel Company, LLC, Skyline Mine, C/007/005,

Dear Ms. Grubaugh-Littig:

Please find enclosed with this letter modifications to the M&RP to address moving the current Sedimentation Pond at the Waste Rock site located adjacent to Scofield, Utah. The amendment proposes building a replacement Sedimentation Pond immediately adjacent to the current pond, then filling the current Sedimentation Pond with additional Waste Rock material. Filling the current pond extends the life of the current Waste Rock site. Modifications include changes to maps to illustrate the location and drainage modifications for the new pond, both drawings and calculations for the new pond, and appropriate changes in the text. The submittal includes completed C1 and C2 forms, and eight (8) copies of both clean and redline versions of the text modifications. Only two (2) archeological reports were included since they are located in the confidential file.

If you have any questions, please call me at (435) 448-2636.

Sincerely,

Gregg A. Galecki
Environmental Coordinator, Skyline Mine
Canyon Fuel Company, LLC

enclosures

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SEP 05 2006
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: Construction of new Sedimentation pond at Waste Rock site.
Description, Include reason for application and timing required to implement:
Construction of new Sedimentation pond at Waste Rock 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?
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☐ 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: _____
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☒ 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.

Wesley K Sorensen — Print Name
Wesley K Sorensen — Sign Name, Position, Date
General Manager 8/22/06

Subscribed and sworn to before me this 22nd day of Aug, 2006

Notary Public

My commission Expires: 12/2, 2007
Attest: State of Utah } } ss:
County of Carbon

For Office Use Only:	Assigned Tracking Number:	Received by Oil, Gas & Mining
		RECEIVED SEP 05 2006 DIV. OF OIL, GAS & MINING

Form DOGM- C1 (Revised March 12, 2002)

APPLICATION FOR COAL PERMIT PROCESSING
Detailed Schedule Of Changes to the Mining And Reclamation Plan

Permittee: Canyon Fuel Company, LLC
Mine: Skyline Mine **Permit Number:** C/007/005
Title: Construction of a new Sedimentation Pond at the Waste Rock site.

Provide a detailed listing of all changes to the Mining and Reclamation Plan, which is required as a result of this proposed permit application. Individually list all maps and drawings that are added, replaced, or removed from the plan. Include changes to the table of contents, section of the plan, or other information as needed to specifically locate, identify and revise the existing Mining and Reclamation Plan. Include page, section and drawing number as part of the description.

			DESCRIPTION OF MAP, TEXT, OR MATERIAL TO BE CHANGED
☐ Add	☒ Replace	☐ Remove	Section 2.1 page 2-4b
☐ Add	☒ Replace	☐ Remove	Section 2.11 page 2-120
☐ Add	☒ Replace	☐ Remove	Section 2.12 page 2-132
☐ Add	☒ Replace	☐ Remove	Section 3.2 pages 3-18a, 3-23, 3-46 through 3-49, 3-54, 3-56a, 3-72b
☐ Add	☐ Replace	☒ Remove	Section 3.2 page 3-49a
☐ Add	☒ Replace	☐ Remove	Section 4.12 page 4-78
☐ Add	☒ Replace	☐ Remove	Section 4.16 pages 4-89 and 4-90
☐ Add	☐ Replace	☒ Remove	Drawing 3-2-8-2
☒ Add	☐ Replace	☐ Remove	Drawings 3.2.8-2A and 3.2.8-2B
☐ Add	☒ Replace	☐ Remove	Drawings 4.16.1-1B and 4.16.1-1C
☐ Add	☒ Replace	☐ Remove	Exhibit A at end of Section 3.2 - Waste Rock Lease Agreement
☒ Add	☐ Replace	☐ Remove	Appendix Volume 5, Engineering Calculations - Section 15, Sediment Pond Design Waste Rock Disposal Site Replacement Pond, 2006
☐ Add	☒ Replace	☐ Remove	Appendix Volume 5, Engineering Calculations - Section 16, Waste Rock Storage Area Useage
☒ Add	☐ Replace	☐ Remove	Confidential File - Waste Rock Site Archeological Report (2 copies)
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Any other specific or special instruction required for insertion of this proposal into the Mining and Reclamation Plan.

Eight (8) redline/strikeout copies and eight (8)clean copies submitted.
Two (2) copies of the Confidential Archeological Report.

Received by Oil, Gas & Mining
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DIV. OF OIL, GAS & MINING

Investigations as to potential cultural resources within rock disposal and the adjacent areas have been conducted. Results of these investigations are presented in Appendix A-3. Results of the cultural resource investigation were transmitted to the State of Utah Historical Preservation Office (SHPO) concurrently with a request for approval, which was granted on November 12, 1981 (also see Appendix A-3). An additional investigation was conducted on rock disposal site in 2006 to clear an area for a new sedimentation pond located adjacent to the original pond. The report is detailing the investigation is included in Appendix A-3. No sites of significance were noted in the area proposed for disturbance.

Montgomery Archaeological Consultants investigated James Canyon to determine the potential cultural resources at the dewater drill location, associated access road, and pipeline. The investigation resulted in the documentation of three historical sites that consisted of two aspen art and a historical road. The sites are recommended as not eligible for NRHP inclusion. Montgomery
recommended that the sites be considered "no historical properties affected" pursuant to Section 106, CFR 800. During construction and drilling, the sties will not be disturbed. Results of the cultural resource investigation are presented in Appendix A-3.

North Lease

Statements regarding cultural and historical resources found within the North Lease area are made within the 1995 Environmental Assessment completed by the USDA Forest Service, USDI Bureau of Land Management, and the USDI Office of Surface Mining Reclamation and Enforcement; within the 1990, 1991, 1995, 1996 and 2002

stratigraphic interval had preferred orientations, and tend to be stacked in echelon or otherwise concentrated along trends of high sandstone percentage.

Using these results, relative proportions of the several lithologies can be extrapolated to the portal area, even through individual channels may not be correlated between boreholes. In the 200 feet of strata immediately overlying the Aberdeen Sandstone, paleochannels have a preferred east-west orientation in the portal area. Based on extrapolation along this trend, percentages of lithotypes have been estimated for the portal area. For the described 200-foot stratigraphic interval, and excluding coal seams, the major lithologies are: sandstone 40%, siltstone 30%, and claystone 30%.

These lithologies have been described in detail in Section 2.2 (Geology) and in Volume A-3. The percentages may vary considerably from percentages in many boreholes drilled by D&M in the portal area. However, on the average these percentages are more representative of the character of the non-coal strata than estimated for individual boreholes.

Scofield Waste Rock Site

A complete description of the vegetation and soil is available in Appendix Volume A-2 in the report, "Report of Vegetation and Soils, Proposed Waste Rock Disposal Site", prepared by Endangered Plan Studies, Inc., November, 1981. Drawing Number 2.11-2 on Page 2-120(b) shows the soil typing of the waste rock area. An additional report was conducted in 2006 titled,"Soil Sampling Characterization at the Waste Rock Expansion Areas",(Appendix Volume A-2) that provides soil characterization for an area to be disturbed for a new sedimentation pond, and a previously disturbed area adjacent to the Scofield cemetery. In 2006, the only proposed disturbance is building a new sedimentation pond adjacent to the original pond, creating a new disturbance of approximately 0.44 acre. Suitable topsoil and subsoil will be separated, stored, marked with appropriate signage for protection, to be used during reclamation of the site (Map 3.2.8-2). The soil will be stored on the outslope

of the pond embankment/road.

State and Federal laws require protection of certain cultural resources. The mining operation is considered compatible with the requirements of all agencies in this area, since to date, there are no known archaeological or paleontological sites within the proposed disturbed areas. Section 2.1.1 and Appendix Volume A-3 contain additional discussion and documentation on these cultural resources.

BUILDINGS, PUBLIC ROADS, AND OTHER MAN-MADE FACILITIES

There are few man-made features located within the Skyline Mine permit area. One abandoned gas well is located within the permit area in Eccles Canyon. The only building located within the permit area is a small structure associated with Gas Well No.8. A natural gas pipeline traverses the permit area and an associated gas tank is located east of the southeastern boundary of the lease area. The location of public roads, including SR-264, within and adjacent to the lease area are illustrated in Map 2.12.1-1. A USGS gauging station was located near the mouth of Eccles Canyon but was removed during the summer of 1985. (See also the reclamation discussion in Part 4.)

CEMETERIES, NATIONAL TRAILS AND WILD RIVERS

There are no ~~cemeteries,~~ national trails, or wild rivers located within or adjacent to the Skyline Mine lease and permit areas. The Mine's rock disposal site is adjacent to the Scofield, Utah cemetery, but currently there are no plans to disturb any areas immediately adjacent to the cemetery. The area of disturbance is located approximately ½-mile southeast of the existing cemetery.

LAND USE OF THE NORTH LEASE TRACT AREA

The North Lease Tract Area is located north and adjacent to the Skyline Mine. Consequently, the landuse of the North Lease Tract Area is very similar to that described in Section 2.12 for the Skyline property.

The general area of the Skyline property lies within both Carbon and Emery counties, whereas, the North Lease Tract lies only within Carbon County.

The plan view of the load-out sediment pond and the pond cross section with detailed construction notes are shown in Map 3.2.1-4. Engineering calculations justifying the 4:1 total slope design are included in Volume 5. The stage volume curve is located in Section 13, Volume 5.

Decant structure and outlet pipe have been modified. The modification is shown on Map 3.2.1-4A.

Rock Disposal Sediment Pond

~~A sediment pond is located at the west end of the disposal site. It will detain surface run-off from 5.81 acres disturbed which reports to the sedimentation pond shown on Map 3.2.8-2.~~ A sediment pond that served the disposal site from 1984 through 2006 was replaced with a slightly larger pond in 2006. The new pond is located immediately north of the original pond and services the same run-off area of 5.81 acres. The replacement pond was built so the area occupied by the original pond could be filled with additional waste rock and extend the life of the waste rock facility by an estimated 5-6 years. Precipitation from a 10 year, 24 hour rainstorm is expected to be 2.4~~3~~5 inches (Section 2 Volume 5) with a total volume of ~~42,780~~ 44,431 ft^3 (Section 15, Volume 5).

The emergency spillway was designed using a 100 year, 24 hour rainstorm event (Section 2, Vol. 5). Two rainstorm events were modeled to determine which would have the largest peak runoff. They were the 25 year, 6 hour event with 1.85 inches (Section 2, Vol. 5) and the 100 year, 24 hour event with 3.5 inches (Section 2, Vol. 5). The peak runoff for the 100 year, 24 hour and the 25 year, 6 hour rainstorm event were 8.62 cfs and 5.41 cfs, respectively.

To accommodate the Sedimentation pond built in 2006 the jeep trail servicing upper UP Canyon was built up. The topsoil removed from the site during construction new Sedimentation pond is stored on the outslope of the built-up road.

~~The original sediment pond at the NE corner of the site has temporarily been retained as a stock water pond. Only undisturbed drainage will enter the pond and any over-flow will exit via the overflow structure and enter the undisturbed drainage system. (See Sec. 14 Vol 5 for engineering~~

~~calculations UD-3A). No surface drainage from the disturbed area will enter this pond. If this pond contains water on a regular basis it will be considered to be added as a water monitoring point.~~

The required volume for sediment storage has been estimated ~~as 6,906 cubic feet. The combined volumes equal~~ 42,780 cubic feet (Section 15, Volume 5 and Map 3.2.8-4). ~~The original sediment pond on the upper level is not in these calculations. The livestock permittee~~ Legal Counsel for the landowner has requested ~~that this~~ a pond be left as a stock watering pond (see Section 4.12) at reclamation.

3.2.2 Overburden and Topsoil Handling

A comprehensive discussion pertaining to this operational component of the mine plan is presented in Section 4.6 - TOPSOIL AND SUBSOIL HANDLING PLAN.

3.2.3 Coal Processing

Maps 3.2.3-1 and 3.2.3-1A are flow diagrams of the entire coal handling system. Designated capacities represent maximum design capabilities necessary to handle surges in the system. The average throughput, a substantially lower figure, is reflected in the annual production schedule.

The disposal site and access road are located upon land owned by the Estate of George Telonis. The legal right of access and use of the lands for the disposal of rock waste ~~has been~~ was originally granted to Coastal by the heirs of the Estate in a lease effective January 1, 1982 and expiring, unless renewed, on December 31, 2011 (See Exhibit A for copy of lease). The lease was modified in 2006 to include lands that were previously disturbed and located adjacent to the Scofield cemetery. The lands referred to in the lease include a ~~7.00~~ 0.97 acre right of way for the disposal site access road and a ~~17.83~~ 30.97 acre tract of land containing the rock waste disposal site. Although the lease was modified in 2006, the size of the disturbed area increased only by approximately 0.44 acres. The only 2006 modification was to build a new sedimentation pond. The legal description of the leased lands is:

A. Access Road

A right-of-way for the purpose of maintaining a road over a strip of land 100 feet wide over a portion of the East half of Section 5, Township 13 South, Range 7 East, and a portion of the West half of Section 4, Township 13 South, Range 7 East, Salt Lake Base and Meridian, in the County of Carbon, State of Utah, the center line of which is described as follows:

Commencing at the found stone of the Northeast corner of Section 5; thence South 582.76 feet and West 1228.10 feet to the point of beginning; thence North ~~37° 25' 46" East 350.00 feet; thence North 79° 06' 42" East 100.00 feet; thence South 16° 40' 44" East 100.00 feet; thence South 40° 19' 44" East 500.00 feet; thence South 29° 23' 14" East 600.00 feet; thence South 14° 29' 44" East 100.00 feet; thence South 29° 11' 14" East 311.76 feet; thence South 84° 53' 29" East 100.00 feet; thence North 79° 55' 31" East 500.00 feet.~~ 52°20'45" West 50.58 feet; thence North 36°43'48" East 369.12 feet; thence North 78°34'35" East 104.33 feet; thence South 05°29'03" West 104.52 feet; thence South 78°34'35" West 35.70 feet; thence South 36°43'48" West 330.88 feet; thence North 53°16'12" West 50.00 feet to point of beginning.. The side lines of said right-of-way to be prolonged or shortened to meet at angle point intersections and at the East line of Section 5.

Contains approximately 0.97 acres

CHANGE TO		TEXT		
Section 3.2	Page 3-46	Section 3.2.1	Page 3-46(a)	Date 08/10/06

The bearings in the above description are based on the Utah State Plane Coordinate system, Central Zone.

B. Disposal Site

~~A tract of land located in Section 4, Township 13 South, Range 7 East, Salt Lake Base and meridian, Carbon County, Utah, being further described as follows:~~

~~Commencing as the Northwest corner of said section; thence South 0° 00' 04" East (basis of bearing taken from Utah State Plane Coordinate System) a distance of 1603.39 feet along the West line of said section to the Northerly Right-of-Way line of a road; thence South 39° 22' 14" East a distance of 337.81 feet along said North Right-of-Way line to the point of beginning; thence North 79° 18' 09" East a distance of 320.00 feet; thence South 41° 33' 38" West a distance of 1273.99 feet; thence North 19° 32' West a distance of 1060.85 feet to the Southerly Right-of-Way line of said road; thence the following 6 courses along said Right-of-Way line, South 84° 53' 29" East a distance of 127.64 feet; thence North 79° 55' 31" East a distance of 506.66 feet; thence North 10° 04' 29" West a distance of 100.00 feet; thence South 79° 55' 31" West a distance of 493.34 feet; thence North 39° 22' 14" West a distance of 13.76 feet to the point of beginning.~~

A tract of land located in Sections 4 and 5, Township 13 South, Range 7 East, Salt Lake Base and Meridian, Carbon County, Utah, and Section 32, Township 12 South, Range 7 East, Salt Lake Base and Meridian, Carbon, County, Utah, being further described as follows:

Commencing at the Northwest corner of said Section 4;

Thence South 0° 28'36" East (basis of bearing taken from Utah State Plane Coordinate System), a distance of 1603.82 feet along the West line of said section to the Northerly right-of-way line of a road;thence South 39°54'11" East a distance of 337.96 feet along said North right-of-way line to the point of beginning; hence North 79°23'34" East a distance of 834.50 feet; thence South 76°48'06" East a distance of 320.00 feet; thence South 07°02'16" East a distance of 224.51 feet; Thence South 41°01'41" West a distance of 1273.99 feet; Thence North 20°03'57" West a distance of 917.24 feet; thence South 78°34'14" West a distance of 75.25 feet; thence North 36°59'55" West a distance of

884.92 feet; thence North 24°10'17" West a distance of 588.80 feet; thence North 05°40'59" East a distance of 78.98 feet; thence North 40°51'41" West a distance of 252.84 feet; thence North 40° 51' 41" West a distance of 252.84 feet; thence North 17° 12' 41" West a distance of 65.28 feet; thence North 05° 29' 03" East a distance of 263.95 feet; thence South 88° 43' 20" East a distance of 256.20 feet; thence North 00° 27' 51" East a distance of 98.03 feet; thence North 86° 08' 07" East a distance of 222.33 feet; thence South 07° 02' 02" West a distance of 190.58 feet;
thence South 00° 35' 18" West a distance of 271.35 feet; thence South 60° 54' 14" West a distance of 233.31 feet; thence South 40°50'20" East a distance of 242.58 feet; thence South 29°55'11" East a distance of 611.32 feet; thence South 15°01'42" East a distance of 95.51 feet; thence South 39°54'11" East a distance of 654.24 feet to the point of beginning, containing approximately 30.97 acres.

The site and access roads are part of a larger area previously disturbed by surface and underground mining and never reclaimed. ~~Coastal~~ The Permittee believes that operations will not further degrade the environmental state of the area, but rather will, by way of back filling the abandoned strip pit and waste rock area, grading, seeding and other reclamation techniques, greatly improve a portion of the previously disturbed area.

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In 2006 the Disposal site was modified to fill-in the original sedimentation pond and build a replacement pond immediately adjacent to the original pond. Reports have been prepared for ~~Coastal~~ the Permittee (presented in Appendix Volume A-1) detailing the existing vegetation and soils of the area to be affected by disposal and building of the new sedimentation pond. The pre-mining land use of the disposal site area is assumed to have been for native rangeland. Since the previous mining activity left the area in very poor condition, the existing baseline information is of little use in establishing reclamation goals for determining the success of reclamation efforts. Portions of the surface to be affected have been used for grazing after abandonment of the strip pit and waste area, although the pre-existing conditions (lack of reclamation and underground coal fires) have greatly reduced the area's potential for grazing or for any other use.

No aquatic resource inventories have been prepared due to the ~~intermittent~~ ephemeral ~~flows~~ character of water in the study area. Water is present only for the very brief periods during and immediately following precipitation events and/or during spring runoff. The climate of the study area is similar to that described for the lower elevations of the Skyline permit area. No additional monitoring is proposed.

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Description of Site

The general location of the waste disposal site is shown on the USGS 7-1/2 minute Scofield quadrangle map (Map 4-16-1A). The land affected by the disposal of rock waste is located in the SW 1/4 of the NW 1/4 of Section 4, Township 13 South, Range 7 East, Carbon County, Utah. The Estate of George Telonis owns the surface of the lands to be affected and the Western Reserve Coal Company owns the minerals in the subject lands and adjacent areas. A copy of the Telonis lease agreement is appended to this Section as Exhibit A. Mining in the coal seams beneath and adjacent to the abandoned strip pit is extremely unlikely due to variable seam thickness, seam pinch outs, and coal fires in one of the abandoned underground mines adjacent to the site. In

addition, the coal seams are terminated to the East by large displacement faulting and terminated to

the West by faulting and erosion. The above factors effectively sterilize any un-mined coal beneath or adjacent to the site.

The Permittee uses the disposal site to dispose of underground coal mine waste produced during mining operations which cannot be permanently stored underground due to either the lack of adequate storage room or the content of coal which has the potential for combustion. The volume of material which must be disposed of at a surface disposal site will be limited to a very small fraction of the total waste produced because of the large volume of potential underground waste storage areas which result from mining coal. The economics of loading, hauling, and disposing of waste at any point other than underground effectively mitigate against the extensive use of a surface rock waste storage site. Coal mine waste deposited at the site may also contain other materials such as concrete, roof bolts, metal and other non-combustible materials.

The roof and floor rock for the three mineable Skyline coal seams is estimated to be comprised of 60 percent sandstone, 30 percent shale, and 10 percent clay stone. The igneous dike rock varies in composition but is essentially comprised of 100 percent ferromagnesian minerals. The majority of dike rock which would require surface disposal appears very similar to basalt and is very durable being extremely resistant to weathering. The volumetric swell factor for the igneous and sedimentary rock is estimated to be 30 percent.

The Permittee estimates that approximately ~~49~~49,840 tons or 8,000 cubic yards (at ~~110~~ 91 lb./cubic feet density) per year of waste will be disposed of at the site (Volume 5, section 16).

Due to the slope of this area, the construction of a drainage ditch would destroy a considerable portion of this stand of timber and would create more of an erosion hazard than it would solve. Since a by-pass ditch is impractical, the original upper sedimentation pond in the abandoned pit will be used to treat any additional surface run-off that may flow off the highwal and the area above it. A ditch at the base of the highwal has been constructed to catch this surface runoff. This pond was removed in 1999, due to needed rock storage space and lack of water reporting to the pond.

The swale to redirect the drainage across the road above the site and into the undisturbed drainage channel was constructed of concrete. The swale where the water is redirected across the access road is also constructed of concrete and located so that water is directed into the original stream channel to the south of the road (Map no. 3.2.8-2).

The four feet of compacted non-combustible fill was placed along the floor and walls of the pit in order to isolate the coal seams and venting cracks or fissures.

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The material to isolate exposed coal and venting cracks or fissures along the walls was built up and compacted in lifts during normal waste disposal operations after an initial 4 foot high barrier is

The spreading and compaction of the waste will be accomplished through the use of a dozer/loader and dump trucks. The dozer/loader will be used to spread and level the material and both the dozer/loader and the dump truck will be used to compact the material. Repeated, long-term operation of the equipment on each lift of material will ensure adequate compaction of the fill.

The Permittee cannot commit to the size of the dozer or the number of trucks to be used during the infrequent use of the pit. The Permittee will use its 10-ton capacity truck that may be supplemented by others which, in addition to the dozer, will be used as the need occurs.

There is approximately 1,444 yd^3 of topsoil which was salvaged by the 1992 AML project which will be saved for final reclamation (Map 3.2.8-2). The old waste site contains approximately 13,470 yd^3 of growth cover material. This material will be salvaged as each twenty foot lift is reclaimed.

In 2006 a new, and slightly larger, Sedimentation pond was built adjacent to the original pond (Maps 3.2.8-4A and -4B). The drainage area of the new sediment pond is identical to the original pond (Map 3.2.8-2). The replacement pond was built so the area occupied by the original pond could be filled with additional waste rock. The only other modifications were a relocation of ditch DD-16 and the lengthening of ditch DD-17. The designs of these ditches did not change (Volume 5 section 14, pages 18-22 and 23-28, respectively).

The rock waste disposal site will be inspected at least quarterly during active disposal operations.

All ditches, ponds and swales have been designed and certified. These calculations and descriptions are found in the engineering calculations in Volume 5.

LLC. Exhibit B shows the letter from UDOT giving permission to use its portion of the pad and indicating
that the post-mining land use as a snow storage pad. The post-mining land use for the Canyon Fuel Co., LLC, portion of the pad will also be a snow storage pad. The configuration of the pad is such that all of the drainage will be directed to straw bales and/or silt fencing for treatment before entering the natural drainage (see Volume 5, Section 6 for the design). This area contains 0.64 acres and is classified as an Alternate Sediment Control Area.

No salt or other deicing chemicals will be used on the snow placed on this area. Each spring, following use of the pad, after the snow placed on the pad has melted any sediment or coal fines which have accumulated on the site will be removed.

Area 34. This area is located on road outslopes at the waste-rock disposal site as shown on Map 3.2.8-4. In order to make the road more usable for third parties, minor gravel fills were placed at the locations shown on the map. Silt fences were placed at the base of gravel fills, then later removed once the gravel fills were fully compacted. Since the fills are constructed of gravel they will not erode.

Area 35 and 36. These areas are the James Canyon road from the forest Service Mounment Peck Road to the drill pad and includes the buried pipline to Electric Lake. The James Canyon road is graveled with water bars approximately every 150 feet. Road runoff water flows to a water bar and is directed to a silt fence for sediment control. The buried pipeline disturbed area has been regraded and deep gouged. The area has been reseeded. Water bars have been constructed approximately every 150 feet. In 2005, both the drill pad topsoil pile (see plate 3.4-1) and the reseeded area was reclassified as a "Small Area Exemption" based on a demonstration of adequate vegetative cover (see Sec. 21 (a), Vol. 5 for demonstration). All silt fences were removed from these areas.

Area 37. This area is located at the Scofield Waste Rock Disposal area, adjacent to the Sedimentation pond constructed in 2006. The treatment area is the outslope of the road that borders the Sedimentation pond and services the upper UP Canyon. The temporary silt fencing will be installed at the base of the road outslope and then removed once vegetation is established.

On all areas not reporting to a sediment pond, and classified as Alternate Sediment Control Areas, the alternate sediment control measure such as straw bales, silt fences, catch basins, excelsior mats, etc. will be maintained until there is adequate vegetative cover to properly filter any surface runoff (see Sec. 20, Vol. 5 for design). When this can be demonstrated, the alternate control measures will be removed and the area reclassified as an "Exempt area". (See Sec. 21, Vol. 5 for Demonstrations) On all areas classified as Exempt Areas, if they should become redisturbed they will be reclassified as ASCA areas and will have the runoff treated with a designed treatment.

The mine support roads will be reclaimed in the permit area. Culverts and blacktop surfacing material will be removed. Reclamation would then include recontouring, ripping, adding cross drains, water bars, topsoil and seed.

Removal of Scofield Waste Disposal Site Sedimentation Pond

The livestock permittee through the owner has requested that ~~both~~ the ~~upper original~~ sedimentation pond ~~and the lower sedimentation pond~~ not be reclaimed. If, over a period of time, it shows that these ponds hold natural runoff water and will be benefical for livestock and wildlife use, they will not be removed. However, for planning and bonding purposes ~~both of~~ the sedimentation pond~~s~~ ~~are~~ is to be removed and reclaimed (Map 4.16.1C). In the event the pond built in 2006 is not removed, Map 4.16.1B illustrates the reclamation work. ~~and are shown on both maps 4.16.1 1B and 4.16.1C.~~

The rock wastes are hauled by truck from the Skyline Mine site (portal area) and the unit train loadout facility to the waste disposal area.

The rock disposal site and access road are located upon land owned by the Estate of George Telonis. The legal right of access and use of the lands for the disposal of rock waste has been granted to the Permittee by the heirs of the Estate in a lease effective January 1, 1982 and expiring, unless renewed on December 31 2011. The lease agreement was modified in 2006 to include additional lands totaling approximately 32 acres and extending the lease through December 31, 2020. ~~The lands referred to in the lease include a 7.00 acre right-of-way for the disposal site access road and a 17.83 acre tract of land containing the proposed rock waste disposal area.~~ The disposal site and access road are part of larger area previously disturbed by surface and underground mining and never reclaimed.

Portions of the surface affected have been used for grazing after abandonment of the strip pit, although the pre-existing conditions (lack of reclamation and underground coal fires) have greatly reduced the area's potential for grazing or for any other use.

Investigations as to potential cultural resources within the area to be affected and the adjacent areas have been conducted.

Water is present only for a brief period during and immediately following precipitation events and/or during spring runoff.

The climate of the study area is similar to that described for the lower elevations of the Skyline permit area.

The Permittee uses the rock disposal site to dispose of underground rock waste produced during mining operations which cannot be permanently stored underground due to either the lack of adequate storage room or the content of coal exceeding the limits specified in 30 CFR:75.400 through 30CFR:75.403.

The volume of material which must be disposed of at a surface disposal site will be a very small fraction of the total rock waste produced because of the large volume of potential underground

rock waste storage areas which result from mining coal. The economics of loading, hauling and

disposing of rock waste at any point other than underground effectively prohibit the extensive use of a surface rock waste storage site.

If favorable market conditions exist, material may occasionally be recovered from the waste storage site and returned to the product stream. Surface royalties and fees will be paid for all recovered material. Material placed in the waste rock disposal site is neither toxic nor acid generating as indicated by routine sampling and analysis. The sample results are submitted to the Division annually.

The roof and floor rock for the three mineable Skyline coal seams are estimated to be 60 percent sandstone, 30 percent shale, and 10 percent claystone. The igneous dike rock varies in composition, but is essentially comprised of ferromagnesian minerals. The majority fo dike rock which would require surface disposal is anticipated to be very similar to basalt and would be very durable and extremely resistant to weathering. The volumetric swell factor for the igneous and sedimentary rock is estimated to be 30 percent.

Th Permittee estimates that approximately ~~4,000~~ 9,840 tons or ~~2694~~ 8,000 cubic yards (at ~~110~~ 91 lb/cubic ft. density) per year of rock will be disposed of at the site.

and density were not taken, nor requested, by federal and state officials.

- All surfaces on both U. S. Forest and private lands disturbed during explorational activities and mine development (e.g., drill holes, access roads, and service areas) were intensively evaluated for historic and prehistoric cultural resources.

No prehistoric or historic cultural resources of any significance were observed during the surveys. The remains of two historic structures were found outside the project boundary. Both have marginal resource value and, since peripheral to the zone of activity, are not endangered by the Skyline project. No cemeteries, National Trails or Wild and Scenic Rivers, public parks or National Register status properties exist on or adjacent to the project area. No surface mines, active or abandoned, exist on the project mining area. The surface facilities area of the old abandoned underground Eccles Mine has been completely encompassed by the Skyline Mines portal facilities. The waste rock disposal area is an abandoned contour mine.

Investigations as to potential cultural resources within rock disposal and the adjacent areas have been conducted. Results of these investigations are presented in Appendix A-3. Results of the cultural resource investigation were transmitted to the State of Utah Historical Preservation Office (SHPO) concurrently with a request for approval, which was granted on November 12, 1981 (also see Appendix A-3). An additional investigation was conducted on rock disposal site in 2006 to clear an area for a new sedimentation pond located adjacent to the original pond. The report is detailing the investigation is included in Appendix A-3. No sites of significance were noted in the area proposed for disturbance.

Montgomery Archaeological Consultants investigated James Canyon to determine the potential cultural resources at the dewater drill location, associated access road, and pipeline. The

investigation resulted in the documentation of three historical sites that consisted of two aspen art and a historical road. The sites are recommended as not eligible for NRHP inclusion. Montgomery
recommended that the sites be considered "no historical properties affected" pursuant to Section 106, CFR 800. During construction and drilling, the sties will not be disturbed. Results of the cultural resource investigation are presented in Appendix A-3.

North Lease

Statements regarding cultural and historical resources found within the North Lease area are made within the 1995 Environmental Assessment completed by the USDA Forest Service, USDI Bureau of Land Management, and the USDI Office of Surface Mining Reclamation and Enforcement; within the 1990, 1991, 1995, 1996 and 2002 cultural resources reports, which provide additional historical search data. A copy of the cultural resource reports are included within the Archeological Reports section of Volume A-3. A copy of the environmental assessment is included in Volume 5, as Section 23.

According to the environmental assessment,"Leasing of the tract should not result in significant impacts to cultural or paleontological resources; threatened, endangered, or sensitive plant or animal species; or flood plains. Appendix B of the environmental assessment further states that "There are no properties included in the National Register of Historic Places on or near the proposed lease tract". The AERC report entitled "Cultural Resource Evaluation of Proposed DrillHoles & Associated Access Routes in the Upper Winter Quarters Canyon and Winter Quarters Ridge Locality of Carbon County, Utah" states that "No significant cultural or paleontological resources were observed within the various development areas during the archaeological survey." Similar conclusions are reported in the other archeological studies performed in the Winter Quarter's Canyon area.

stratigraphic interval had preferred orientations, and tend to be stacked in echelon or otherwise concentrated along trends of high sandstone percentage.

Using these results, relative proportions of the several lithologies can be extrapolated to the portal area, even through individual channels may not be correlated between boreholes. In the 200 feet of strata immediately overlying the Aberdeen Sandstone, paleochannels have a preferred east-west orientation in the portal area. Based on extrapolation along this trend, percentages of lithotypes have been estimated for the portal area. For the described 200-foot stratigraphic interval, and excluding coal seams, the major lithologies are: sandstone 40%, siltstone 30%, and claystone 30%.

These lithologies have been described in detail in Section 2.2 (Geology) and in Volume A-3. The percentages may vary considerably from percentages in many boreholes drilled by D&M in the portal area. However, on the average these percentages are more representative of the character of the non-coal strata than estimated for individual boreholes.

Scofield Waste Rock Site

A complete description of the vegetation and soil is available in Appendix Volume A-2 in the report, "Report of Vegetation and Soils, Proposed Waste Rock Disposal Site", prepared by Endangered Plan Studies, Inc., November, 1981. Drawing Number 2.11-2 on Page 2-120(b) shows the soil typing of the waste rock area. An additional report was conducted in 2006 titled,"Soil Sampling Characterization at the Waste Rock Expansion Areas",(Appendix Volume A-2) that provides soil characterization for an area to be disturbed for a new sedimentation pond, and a previously disturbed area adjacent to the Scofield cemetery. In 2006, the only proposed disturbance is building a new sedimentation pond adjacent to the original pond, creating a new disturbance of approximately 0.44 acre. Suitable topsoil and subsoil will be separated, stored, marked with appropriate signage for protection, to be used during reclamation of the site (Map 3.2.8-2). The soil will be stored on the outslope of the pond embankment/road.

State and Federal laws require protection of certain cultural resources. The mining operation is considered compatible with the requirements of all agencies in this area, since to date, there are no known archaeological or paleontological sites within the proposed disturbed areas. Section 2.1.1 and Appendix Volume A-3 contain additional discussion and documentation on these cultural resources.

BUILDINGS, PUBLIC ROADS, AND OTHER MAN-MADE FACILITIES

There are few man-made features located within the Skyline Mine permit area. One abandoned gas well is located within the permit area in Eccles Canyon. The only building located within the permit area is a small structure associated with Gas Well No.8. A natural gas pipeline traverses the permit area and an associated gas tank is located east of the southeastern boundary of the lease area. The location of public roads, including SR-264, within and adjacent to the lease area are illustrated in Map 2.12.1-1. A USGS gauging station was located near the mouth of Eccles Canyon but was removed during the summer of 1985. (See also the reclamation discussion in Part 4.)

CEMETERIES, NATIONAL TRAILS AND WILD RIVERS

There are no national trails, or wild rivers located within or adjacent to the Skyline Mine lease and permit areas. The Mine's rock disposal site is adjacent to the Scofield, Utah cemetery, but currently there are no plans to disturb any areas immediately adjacent to the cemetery. The area of disturbance is located approximately ½-mile southeast of the existing cemetery.

LAND USE OF THE NORTH LEASE TRACT AREA

The North Lease Tract Area is located north and adjacent to the Skyline Mine. Consequently, the landuse of the North Lease Tract Area is very similar to that described in Section 2.12 for the Skyline property.

The general area of the Skyline property lies within both Carbon and Emery counties, whereas, the North Lease Tract lies only within Carbon County.

The plan view of the load-out sediment pond and the pond cross section with detailed construction notes are shown in Map 3.2.1-4. Engineering calculations justifying the 4:1 total slope design are included in Volume 5. The stage volume curve is located in Section 13, Volume 5.

Decant structure and outlet pipe have been modified. The modification is shown on Map 3.2.1-4A.

Rock Disposal Sediment Pond

A sediment pond that served the disposal site from 1984 through 2006 was replaced with a slightly larger pond in 2006. The new pond is located immediately north of the original pond and services the same run-off area of 5.81 acres. The replacement pond was built so the area occupied by the original pond could be filled with additional waste rock and extend the life of the waste rock facility by an estimated 5-6 years. Precipitation from a 10 year, 24 hour rainstorm is expected to be 2.45 inches (Section 2 Volume 5) with a total volume of 44,431 ft^3 (Section 15, Volume 5).

The emergency spillway was designed using a 100 year, 24 hour rainstorm event (Section 2, Vol. 5). Two rainstorm events were modeled to determine which would have the largest peak runoff. They were the 25 year, 6 hour event with 1.85 inches (Section 2, Vol. 5) and the 100 year, 24 hour event with 3.5 inches (Section 2, Vol. 5). The peak runoff for the 100 year, 24 hour and the 25 year, 6 hour rainstorm event were 8.62 cfs and 5.41 cfs, respectively.

To accommodate the Sedimentation pond built in 2006 the jeep trail servicing upper UP Canyon was built up. The topsoil removed from the site during construction new Sedimentation pond is stored on the outslope of the built-up road.

The required volume for sediment storage has been estimated 42,780 cubic feet (Section 15, Volume 5 and Map 3.2.8-4). Legal Counsel for the landowner has requested a pond be left as a stock watering pond (see Section 4.12) at reclamation.

3.2.2 Overburden and Topsoil Handling

A comprehensive discussion pertaining to this operational component of the mine plan is presented in Section 4.6 - TOPSOIL AND SUBSOIL HANDLING PLAN.

3.2.3 Coal Processing

Maps 3.2.3-1 and 3.2.3-1A are flow diagrams of the entire coal handling system. Designated capacities represent maximum design capabilities necessary to handle surges in the system. The average throughput, a substantially lower figure, is reflected in the annual production schedule.

The disposal site and access road are located upon land owned by the Estate of George Telonis. The legal right of access and use of the lands for the disposal of rock waste was originally granted to Coastal by the heirs of the Estate in a lease effective January 1, 1982 and expiring, unless renewed, on December 31, 2011 (See Exhibit A for copy of lease). The lease was modified in 2006 to include lands that were previously disturbed and located adjacent to the Scofield cemetery. The lands referred to in the lease include a 0.97 acre right of way for the disposal site access road and a 30.97 acre tract of land containing the rock waste disposal site. Although the lease was modified in 2006, the size of the disturbed area increased only by approximately 0.44 acres. The only 2006 modification was to build a new sedimentation pond. The legal description of the leased lands is:

A. Access Road

A right-of-way for the purpose of maintaining a road over a strip of land 100 feet wide over a portion of the East half of Section 5, Township 13 South, Range 7 East, and a portion of the West half of Section 4, Township 13 South, Range 7 East, Salt Lake Base and Meridian, in the County of Carbon, State of Utah, the center line of which is described as follows:

Commencing at the found stone of the Northeast corner of Section 5; thence South 582.76 feet and West 1228.10 feet to the point of beginning; thence North 52°20'45" West 50.58 feet; thence North 36°43'48" East 369.12 feet; thence North 78°34'35" East 104.33 feet; thence South 05°29'03" West 104.52 feet; thence South 78°34'35" West 35.70 feet; thence South 36°43'48" West 330.88 feet; thence North 53°16'12" West 50.00 feet to point of beginning.. The side lines of said right-of-way to be prolonged or shortened to meet at angle point intersections and at the East line of Section 5.

Contains approximately 0.97 acres

CHANGE TO		TEXT		
Section 3.2	Page 3-46	Section 3.2.1	Page 3-46(a)	Date 08/10/06

The bearings in the above description are based on the Utah State Plane Coordinate system, Central Zone.

B. Disposal Site

A tract of land located in Sections 4 and 5, Township 13 South, Range 7 East, Salt Lake Base and Meridian, Carbon County, Utah, and Section 32, Township 12 South, Range 7 East, Salt Lake Base and Meridian, Carbon, County, Utah, being further described as follows:
Commencing at the Northwest corner of said Section 4;

Thence South 0° 28'36" East (basis of bearing taken from Utah State Plane Coordinate System), a distance of 1603.82 feet along the West line of said section to the Northerly right-of-way line of a road;thence South 39°54'11" East a distance of 337.96 feet along said North right-of-way line to the point of beginning; hence North 79°23'34" East a distance of 834.50 feet; thence South 76°48'06" East a distance of 320.00 feet; thence South 07°02'16" East a distance of 224.51 feet; Thence South 41°01'41" West a distance of 1273.99 feet; Thence North 20°03'57" West a distance of 917.24 feet; thence South 78°34'14" West a distance of 75.25 feet; thence North 36°59'55" West a distance of 884.92 feet; thence North 24°10'17" West a distance of 588.80 feet; thence North 05°40'59" East a distance of 78.98 feet; thence North 40°51'41" West a distance of 252.84 feet; thence North 40° 51' 41" West a distance of 252.84 feet; thence North 17° 12' 41" West a distance of 65.28 feet; thence North 05° 29' 03" East a distance of 263.95 feet; thence South 88° 43' 20" East a distance of 256.20 feet; thence North 00° 27' 51" East a distance of 98.03 feet; thence North 86° 08' 07" East a distance of 222.33 feet; thence South 07° 02' 02" West a distance of 190.58 feet;
thence South 00° 35' 18" West a distance of 271.35 feet; thence South 60° 54' 14" West a distance of 233.31 feet; thence South 40°50'20" East a distance of 242.58 feet; thence South 29°55'11" East a distance of 611.32 feet; thence South 15°01'42" East a distance of 95.51 feet; thence South 39°54'11" East a distance of 654.24 feet to the point of beginning, containing approximately 30.97 acres.

The site and access roads are part of a larger area previously disturbed by surface and underground mining and never reclaimed. The Permittee believes that operations will not further de-grade the environmental state of the area, but rather will, by way of back filling the abandoned strip pit and waste rock area, grading, seeding and other reclamation techniques, greatly improve a portion of the previously disturbed area.

In 2006 the Disposal site was modified to fill-in the original sedimentation pond and build a replacement pond immediately adjacent to the original pond. Reports have been prepared for the Permittee (presented in Appendix Volume A-1) detailing the existing vegetation and soils of the area to be affected by disposal and building of the new sedimentation pond. The pre-mining land use of the disposal site area is assumed to have been for native rangeland. Since the previous mining activity left the area in very poor condition, the existing baseline information is of little use in establishing reclamation goals for determining the success of reclamation efforts. Portions of the surface to be affected have been used for grazing after abandonment of the strip pit and waste area, although the pre-existing conditions (lack of reclamation and underground coal fires) have greatly reduced the area's potential for grazing or for any other use.

No aquatic resource inventories have been prepared due to the ephemeral character of water in the study area. Water is present only for the very brief periods during and immediately following precipitation events and/or during spring runoff. The climate of the study area is similar to that described for the lower elevations of the Skyline permit area. No additional monitoring is proposed.

CHANGE TO		TEXT		
Section 3.2	Page 3-48	Section 3.2.1	Page 3-48	Date 08/10/06

The general location of the waste disposal site is shown on the USGS 7-1/2 minute Scofield quadrangle map (Map 4-16-1A). The land affected by the disposal of rock waste is located in the SW 1/4 of the NW 1/4 of Section 4, Township 13 South, Range 7 East, Carbon County, Utah. The Estate of George Telonis owns the surface of the lands to be affected and the Western Reserve Coal Company owns the minerals in the subject lands and adjacent areas. A copy of the Telonis lease agreement is appended to this Section as Exhibit A. Mining in the coal seams beneath and adjacent to the abandoned strip pit is extremely unlikely due to variable seam thickness, seam pinch outs, and coal fires in one of the abandoned underground mines adjacent to the site. In addition, the coal seams are terminated to the East by large displacement faulting and terminated to the West by faulting and erosion. The above factors effectively sterilize any un-mined coal beneath or adjacent to the site.

The Permittee uses the disposal site to dispose of underground coal mine waste produced during mining operations which cannot be permanently stored underground due to either the lack of adequate storage room or the content of coal which has the potential for combustion. The volume of material which must be disposed of at a surface disposal site will be limited to a very small fraction of the total waste produced because of the large volume of potential underground waste storage areas which result from mining coal. The economics of loading, hauling, and disposing of waste at any point other than underground effectively mitigate against the extensive use of a surface rock waste storage site. Coal mine waste deposited at the site may also contain other materials such as concrete, roof bolts, metal and other non-combustible materials.

The roof and floor rock for the three mineable Skyline coal seams is estimated to be comprised of 60 percent sandstone, 30 percent shale, and 10 percent clay stone. The igneous dike rock varies in composition but is essentially comprised of 100 percent ferromagnesian minerals. The majority of dike rock which would require surface disposal appears very similar to basalt and is very durable being extremely resistant to weathering. The volumetric swell factor for the igneous and sedimentary rock is estimated to be 30 percent.

The Permittee estimates that approximately 9,840 tons or 8,000 cubic yards (at 91 lb./cubic feet density) per year of waste will be disposed of at the site (Volume 5, section 16).

3. The area above the highwal is a well vegetated slope supporting a heavy stand of mixed Aspen and conifer trees.

Due to the slope of this area, the construction of a drainage ditch would destroy a considerable portion of this stand of timber and would create more of an erosion hazard than it would solve. Since a by-pass ditch is impractical, the original upper sedimentation pond in the abandoned pit will be used to treat any additional surface run-off that may flow off the highwal and the area above it. A ditch at the base of the highwall has been constructed to catch this surface runoff. This pond was removed in 1999, due to needed rock storage space and lack of water reporting to the pond.

The swale to redirect the drainage across the road above the site and into the undisturbed drainage channel was constructed of concrete. The swale where the water is redirected across the access road is also constructed of concrete and located so that water is directed into the original stream channel to the south of the road (Map no. 3.2.8-2).

The four feet of compacted non-combustible fill was placed along the floor and walls of the pit in order to isolate the coal seams and venting cracks or fissures.

The spreading and compaction of the waste will be accomplished through the use of a dozer/loader and dump trucks. The dozer/loader will be used to spread and level the material and both the dozer/loader and the dump truck will be used to compact the material. Repeated, long-term operation of the equipment on each lift of material will ensure adequate compaction of the fill.

The Permittee cannot commit to the size of the dozer or the number of trucks to be used during the infrequent use of the pit. The Permittee will use its 10-ton capacity truck that may be supplemented by others which, in addition to the dozer, will be used as the need occurs.

There is approximately 1,444 yd^3 of topsoil which was salvaged by the 1992 AML project which will be saved for final reclamation (Map 3.2.8-2). The old waste site contains approximately 13,470 yd^3 of growth cover material. This material will be salvaged as each twenty foot lift is reclaimed.

In 2006 a new, and slightly larger, Sedimentation pond was built adjacent to the original pond (Maps 3.2.8-4A and -4B). The drainage area of the new sediment pond is identical to the original pond (Map 3.2.8-2). The replacement pond was built so the area occupied by the original pond could be filled with additional waste rock. The only other modifications were a relocation of ditch DD-16 and the lengthening of ditch DD-17. The designs of these ditches did not change (Volume 5 section 14, pages 18-22 and 23-28, respectively).
The rock waste disposal site will be inspected at least quarterly during active disposal operations.

All ditches, ponds and swales have been designed and certified. These calculations and descriptions are found in the engineering calculations in Volume 5.

LLC. Exhibit B shows the letter from UDOT giving permission to use its portion of the pad and indicating

that the post-mining land use as a snow storage pad. The post-mining land use for the Canyon Fuel Co., LLC, portion of the pad will also be a snow storage pad. The configuration of the pad is such that all of the drainage will be directed to straw bales and/or silt fencing for treatment before entering the natural drainage (see Volume 5, Section 6 for the design). This area contains 0.64 acres and is classified as an Alternate Sediment Control Area.

No salt or other deicing chemicals will be used on the snow placed on this area. Each spring, following use of the pad, after the snow placed on the pad has melted any sediment or coal fines which have accumulated on the site will be removed.

Area 34. This area is located on road outslopes at the waste-rock disposal site as shown on Map 3.2.8-4. In order to make the road more usable for third parties, minor gravel fills were placed at the locations shown on the map. Silt fences were placed at the base of gravel fills, then later removed once the gravel fills were fully compacted. Since the fills are constructed of gravel they will not erode.

Area 35 and 36. These areas are the James Canyon road from the forest Service Mounment Peck Road to the drill pad and includes the buried pipline to Electric Lake. The James Canyon road is graveled with water bars approximately every 150 feet. Road runoff water flows to a water bar and is directed to a silt fence for sediment control. The buried pipeline disturbed area has been regraded and deep gouged. The area has been reseeded. Water bars have been constructed approximately every 150 feet. In 2005, both the drill pad topsoil pile (see plate 3.4-1) and the reseeded area was reclassified as a "Small Area Exemption" based on a demonstration of adequate vegetative cover (see Sec. 21 (a), Vol. 5 for demonstration). All silt fences were removed from these areas.

Area 37. This area is located at the Scofield Waste Rock Disposal area, adjacent to the Sedimentation pond constructed in 2006. The treatment area is the outslope of the road that borders the Sedimentation pond and services the upper UP Canyon. The temporary silt fencing will be installed at the base of the road outslope and then removed once vegetation is established.

On all areas not reporting to a sediment pond, and classified as Alternate Sediment Control Areas, the alternate sediment control measure such as straw bales, silt fences, catch basins, excelsior mats, etc. will be maintained until there is adequate vegetative cover to properly filter any surface runoff (see Sec. 20, Vol. 5 for design). When this can be demonstrated, the alternate control measures will be removed and the area reclassified as an "Exempt area". (See Sec. 21, Vol. 5 for Demonstrations) On all areas classified as Exempt Areas, if they should become redisturbed they will be reclassified as ASCA areas and will have the runoff treated with a designed treatment.

The mine support roads will be reclaimed in the permit area. Culverts and blacktop surfacing material will be removed. Reclamation would then include recontouring, ripping, adding cross drains, water bars, topsoil and seed.

Removal of Scofield Waste Disposal Site Sedimentation Pond

The livestock permittee through the owner has requested that the sedimentation pond not be reclaimed. If, over a period of time, it shows that these ponds hold natural runoff water and will be benefical for livestock and wildlife use, they will not be removed. However, for planning and bonding purposes the sedimentation pond is to be removed and reclaimed (Map 4.16.1C). In the event the pond built in 2006 is not removed, Map 4.16.1B illustrates the reclamation work.

The rock wastes are hauled by truck from the Skyline Mine site (portal area) and the unit train loadout facility to the waste disposal area.

The rock disposal site and access road are located upon land owned by the Estate of George Telonis. The legal right of access and use of the lands for the disposal of rock waste has been granted to the Permittee by the heirs of the Estate in a lease effective January 1, 1982 and expiring, unless renewed on December 31 2011. The lease agreement was modified in 2006 to include additional lands totaling approximately 32 acres and extending the lease through December 31, 2020. The disposal site and access road are part of larger area previously disturbed by surface and underground mining and never reclaimed.

Portions of the surface affected have been used for grazing after abandonment of the strip pit, although the pre-existing conditions (lack of reclamation and underground coal fires) have greatly reduced the area's potential for grazing or for any other use.

Investigations as to potential cultural resources within the area to be affected and the adjacent areas have been conducted.

Water is present only for a brief period during and immediately following precipitation events and/or during spring runoff.

The climate of the study area is similar to that described for the lower elevations of the Skyline permit area.

The Permittee uses the rock disposal site to dispose of underground rock waste produced during mining operations which cannot be permanently stored underground due to either the lack of adequate storage room or the content of coal exceeding the limits specified in 30 CFR:75.400 through 30CFR:75.403.

The volume of material which must be disposed of at a surface disposal site will be a very small fraction of the total rock waste produced because of the large volume of potential underground

rock waste storage areas which result from mining coal. The economics of loading, hauling and disposing of rock waste at any point other than underground effectively prohibit the extensive use of a surface rock waste storage site.

If favorable market conditions exist, material may occasionally be recovered from the waste storage site and returned to the product stream. Surface royalties and fees will be paid for all recovered material. Material placed in the waste rock disposal site is neither toxic nor acid generating as indicated by routine sampling and analysis. The sample results are submitted to the Division annually.

The roof and floor rock for the three mineable Skyline coal seams are estimated to be 60 percent sandstone, 30 percent shale, and 10 percent claystone. The igneous dike rock varies in composition, but is essentially comprised of ferromagnesian minerals. The majority fo dike rock which would require surface disposal is anticipated to be very similar to basalt and would be very durable and extremely resistant to weathering. The volumetric swell factor for the igneous and sedimentary rock is estimated to be 30 percent.

Th Permittee estimates that approximately 9,840 tons or 8,000 cubic yards (at 91 lb/cubic ft. density) per year of rock will be disposed of at the site.

LEASE AND EASEMENT AGREEMENT

THIS LEASE AND EASEMENT AGREEMENT ("Lease"), made and entered into August 1, 2006 ("Effective Date"), by and between **Fotini Telonis, Angelo G. Telonis, Thomas G. Telonis and John G. Telonis**, whose address is c/o 190 North Carbon Avenue, Price, Utah 84501 ("Lessor") and **Ark Land Company**, a Delaware corporation, whose address is One CityPlace Drive, Suite 300, St. Louis, Missouri 83141 ("Lessee").

Recitals

A. The parties are the successors to the original lessors and lessees under that certain Lease Agreement dated effective as of June 1, 1982, relating to a landfill site lease for purposes of disposing of rock, materials, trash and other waste ("Original Lease"). The Original Lease expires by its terms on December 31, 2011.

B. The parties desire to replace and substitute the Original Lease with this Lease as of the Effective Date.

Agreement

NOW, THEREFORE, for and in consideration of Ten Dollars, the covenants set forth herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Grant.

a. Upon and subject to the terms and conditions hereof, and subject to the reservations contained herein, Lessor hereby leases and lets to Lessee for its exclusive use and possession the lands situated in Carbon County, Utah, more fully described on **Exhibit A** and **Figure 1** attached hereto and by this reference made a part hereof ("Premises") for the purposes set forth herein.

b. In addition to the grant of lease of the Premises, Lessor hereby grants to Lessee a right of way and easement over and across lands owned by Lessor and more particularly described on **Exhibit B** and **Figure 1** attached hereto ("Access Lands") for purposes of ingress and egress to and from the Premises. Lessee shall have the right to construct, maintain and use access roads on the Access Lands as are necessary and reasonable to travel to and from the Premises for all purposes related granted under this Lease.

c. Lessee shall have the right to use the Premises for the following purposes:

(i) Construction and operation of a coal waste-rock site to be used in connection with the Skyline Mine for the disposal of waste rock as permitted by the Utah Division of Oil, Gas and Mining;

(ii) Construction and operation of a sedimentation pond to be used in conjunction with the coal waste-rock site; and

(iii) Construction and use of an access road "turn around" to be used in conjunction with the coal waste-rock site.

d. Lessor reserves and retains, and this Lease does not include, rights to and ownership of oil and gas, timber and other minerals and the rights to develop such minerals, to the extent such uses do not interfere with Lessee's permitted activities on the Premises.

e. Lessor hereby further reserves and retains the right at all times relevant hereto to enter upon the Premises for all lawful purposes related to (i) Lessor's ownership and management of the Premises; (ii) Lessor's or Lessor's livestock grazing lessee's use of the Premises and adjoining lands owned by Lessor; and (iii) Lessor's or Lessor's hunting lessee's activities on the adjoining land owned by Lessor, provided, however, that Lessor's reservation hereunder shall not, nor shall it be interpreted to, limit or restrict the grant made hereunder to Lessee.

f. All grants to Lessee hereunder shall be made for the benefit of, and where necessary shall extend to, Canyon Fuel Company, L.L.C., an affiliate of Lessee and the operator of the Skyline Mine.

2. Term. This Lease shall commence on the Effective Date and shall remain in full force and effect for a term of fifteen (15) Lease Years ("Term") (each twelve (12) month period beginning on the Effective Date is referred to herein as a "Lease Year").

3. Rentals.

a. Lessee agrees to pay and Lessor agrees to accept as an annual rental ("Rental") to maintain this Lease in full force and effect during the Term of this Lease the sum of FIFTEEN THOUSAND DOLLARS ($15,000.00) for each Lease Year. The Rental is based on Lessee's ability to secure the Premises.

b. Payment of Rental for the first Lease Year shall be made upon execution of this Lease. Rental shall be paid thereafter annually, in advance, on or before the anniversary of the Effective Date. Payment shall be made to the address set forth herein, or, upon prior written notice from Lessor given no less than thirty (30) days before the anniversary date, to a bank account identified by Lessor.

4. Taxes. Lessee agrees that during the Term of this Lease, Lessee shall be responsible to pay all property and ad valorem taxes and special assessments levied against the Premises and on any building, facility, structure or appurtenance Lessee may construct on the Premises. Lessor shall pay each property assessment and shall forward to Lessee evidence of such payment. Lessee shall reimburse Lessor for such payments within fifteen (15) days from receipt of the payment notice.

5. Insurance. During the Term of this Lease, Lessee shall provide, pay for, and maintain in full force and effect the following types and amounts of insurance: (i) Workers' Compensation Insurance, in accordance with the laws of the State of Utah; (ii) Comprehensive General Liability Insurance with limits of not less than $1,000,000 applicable to bodily injury, sickness or death in any one occurrence; and $1,000,000 for loss of or damage to Premises in any

one occurrence; (ii) Automobile Liability Insurance covered owned, unowned and hired vehicles used by Lessee with limits of not less than $1,000,000 for bodily injury and Premises damage claims; and (iv) Excess or Umbrella Liability, inclusive of the identified limits, with limits of not less than $5,000,000 Combined Single Limit. Lessor and Lessee waive each of their respective rights of subrogation for any insured losses occurring or arising out of activities on the Premises. Lessee shall have Lessor named as an additional insured on any and all liability policies that it has covering operations on the Premises and shall provide Lessor with a copy of a certificate of insurance evidencing the required insurance coverage.

6. Permits and Bonds. Lessee shall obtain any and all licenses, permits and associated bonds necessary and required to conduct operations under this Lease and shall be bound by the terms thereof and shall perform work in accordance therewith. Lessee shall have full responsibility for all reclamation work and mine site reclamation work resulting from Lessee's activities. Lessor shall cooperate with Lessee in effecting any reasonable changes or modifications to a permit, license or approval necessary to carryout Lessee's activities hereunder. Upon completion of mining operations upon the Premises pursuant to this Lease, Lessee shall complete all required reclamation upon the Premises in full compliance with all then applicable lease terms, applicable law and permit requirements. Lessee shall have the right to reenter the Premises after termination of this Lease for the purpose of performing or completing such reclamation.

7. Lessee's Covenants. Lessee shall:

a. Pay rent at the times and place and in the manner aforesaid, and if Lessee shall fail to pay rent within five (5) days of when it is due, Lessee shall pay Lessor interest of twelve percent (12%) per annum on all outstanding amounts due under the lease commencing on the date such amounts are due until paid.

b. Not use or occupy the Premises for any unlawful purposes; and will conform to and obey all present and future laws and ordinances, and all rules, regulations, requirements and orders of all government authorities or agencies, respecting the use and occupation of the Premises.

c. Design all roads, structures, buildings, facilities or appurtenances constructed on the Premises by Lessee in such a manner as to make the most economical use of the land consistent with Lessee's reasonable needs.

d. If any future development of the Premises by Lessee requires the relocation or replacement of the current cattle guard and/or corral facilities, Lessee will bear the expense of replacing or relocating the cattle guard and/or replacing or relocating the corral facility. At such a time, if replacement or relocation of the corral facility is necessary, the corral facility will be replaced or relocated so as to provide for uninterrupted use of the corral facilities.

e. Lessor shall notify Lessee no fewer than twenty four (24) hours in advance, in writing or by telephone pursuant to the contact information contained in Section 14(c), of Lessor's intent to move livestock across any portion of the Premises or to use the corral area for loading, unloading or otherwise managing livestock. Lessor's notice shall identify the

beginning dates of use and the duration of use. Lessee shall use its commercially reasonable efforts to avoid interference with livestock operations for which Lessee has received the advanced 24-hour notice. Upon the occurrence of an event requiring unplanned use of the Premises by Lessee during a period when livestock is present or upon the occurrence of livestock uses for which Lessee has not received an advanced 24-hour notice, the parties shall use their good faith efforts to accommodate both uses in a manner that protects livestock and allows Lessee's required use.

8. Indemnification.

a. Lessee shall indemnify and hold harmless Lessor, its affiliates, partners, successors, and assigns (other than Lessee) from any and all claims, demands, suits, losses, expenses (including reasonable attorneys' fees), damages and injuries (including death) to persons and property whatsoever that result from or arise out of the operations of Lessee or any of its sublessees, contractors, subcontractors or assigns under this Lease.

b. This covenant of indemnity shall survive for a period of one (1) year after termination of this Lease or after Lessee has obtained full and final release of all reclamation bonds held by Lessee and encompassing the Premises, whichever is longer.

9. Further Agreements. Lessee shall undertake and complete, or cause to be undertaken and completed, the activities described on **Exhibit C** attached hereto relating to the improvements to the Premises ("Improvements").

10. Title and Quiet Enjoyment. Lessor covenants and warrants that Lessee shall and may peaceably and quietly have, hold, occupy, use and enjoy, and shall have the full, exclusive and unrestricted use and enjoyment of, all of the Premises. Lessor shall deliver possession of said Premises to Lessee on or before the Effective Date, free and clear of any use or occupation by Lessor, its successors, heirs or assigns, not permitted hereunder.

11. Multiple Uses. Lessee acknowledges the existence of an Access Agreement dated October 4, 2005 between the Telonis Family and Carbon Resources relating to exploration activities for coal on Lessor's lands. Any conflicts concerning the use of the Premises for activities under the Access Agreement and activities under this Lease will be governed in accordance with the laws of the State of Utah. Lessee hereby further acknowledges the existence of (i) a Grazing Lease between the Telonis Family and Nick Sampinos relating to the grazing of livestock on Lessor's lands; and (ii) a hunting lease between the Telonis Family and Lloyd Pehrson relating to big game hunting on the land owned by Lessor which adjoins the Premises, provided, however, that, except as specifically provided herein, in the event of a conflict between uses of the Premises, the rights granted in this Lease shall have preference over the rights granted in the grazing and hunting leases and nothing in those leases shall waive, amend or diminish any rights granted to Lessee in this Lease.

12. Assignment. Lessee shall not assign, transfer, mortgage, pledge, sell or convey this Lease to any person without the prior written consent of Lessor, provided, however, that consent shall not be required for an assignment, transfer, mortgage, pledge or sale by Lessee to an affiliate of Lessee, or to a third party who is buying all or substantially all of the assets of

Lessee, its affiliate Canyon Fuel Company, LLC, or the Skyline Mine. Lessor may assign, transfer or sell its rights under this Lease only in conjunction with the sale of the Premises and subject to Lessee's rights hereunder. Changes in the ownership of the Premises shall be made by written notice to Lessee with evidence satisfactory to Lessee of such change in ownership.

13. Default; Remedies.

a. If Lessee fails to comply with any material provisions of this Lease, and if Lessee does not initiate and diligently pursue steps to correct the default within sixty (60) days after notice has been given to it by Lessor specifying with particularity the nature of the default, then upon the expiration of the sixty (60) day period, Lessor shall have the right to declare this Lease in default, unless such failure is of such nature that it is susceptible of cure but with due diligence cannot be cured with such sixty (60) day period in which event Lessee shall have such additional time as may be required to cure the same with such diligence and continuity as shall be reasonably satisfactory to Lessor. The service of a default notice shall be a condition precedent to the bringing of any action by Lessor on this Lease for such default, and no such action shall be brought with respect to such default until the lapse of sixty (60) days after service of such notice. The doing of any acts by Lessee reasonably sufficient to cure all or any of the alleged breaches or defaults shall not be deemed an admission or presumption that Lessee has failed to perform any or all of its obligations hereunder.

b. If either party brings an action to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action, on trial or appeal, shall be entitled to its reasonable attorney fees to be paid by the losing party.

14. Miscellaneous.

a. Nothing herein contained shall be construed to waive, relinquish, or in any manner modify any right or interest of Lessee in the Premises existing at the time of execution of this Lease.

b. Lessor shall provide Lessee with such consents, approvals or certificates required by regulatory agencies having jurisdiction over Lessee's mining operations to evidence Lessee's rights under this Lease.

c. All notices provided for herein shall be given to the parties at the following address:

If to LESSOR:

c/o Nick Sampinos
190 North Carbon Avenue
Price, Utah 84501

If to LESSEE:

Ark Land Company
Attn: President
One CityPlace Drive, Suite 300
St. Louis, MO 63141
Telephone: 800-238-7398
Fax: (314) 994-2940

With a copy to:

Skyline Mine
Attn: Mine Manager
Telephone: (435) 448-2619
Fax: (435) 448-2632

or at such other address or number as shall be designated by either party in a notice to the other party given in accordance with this section. Except as otherwise provided in this Lease, all such communications shall be deemed to have been duly given, (a) in the case of a notice sent by regular mail, on the date actually received by the addressee, (b) in the case of a notice sent by registered or certified mail, on the date receipted for (or refused) on the return receipt, (c) in the case of a notice delivered by hand, when personally delivered, (d) in the case of a notice sent by facsimile or electronic transmission, upon transmission subject to telephone confirmation of receipt, and (e) in the case of a notice sent by overnight mail or overnight courier service, the date delivered at the designated address, in each case given or addressed as aforesaid.

d. Lessee shall, at all times relevant hereto, and at Lessee's expense, (i) maintain a locked gate at the entrance into the Premises; (ii) provide key(s) or the combination to the gate lock to Lessor and (iii) refrain from providing keys or lock combinations to unauthorized persons.

e. This Lease shall inure to the benefit of and be binding upon the heirs, successors, personal representatives and assigns of the parties hereto.

f. This Lease represents the entire agreement between the parties with respect to the Premises, supercedes all prior agreements, oral or written, and amends and replaces all provisions of the Original Lease with the provisions of this Lease. Lessor and Lessee shall have no, and each party expressly releases the other party from any and all, obligations or liabilities arising under or relating to the Original Lease.

g. This Lease may be executed in any number of counterparts, and each counterpart hereof shall be deemed to be an original instrument, but all such counterparts shall constitute but one original.

h. This Lease shall be construed in accordance with and governed by the laws of the State of Utah.

i. The parties shall record a short form memorandum of this Lease substantially in the form of **Exhibit D** attached hereto in the appropriate county records.

IN WITNESS WHEREOF, the parties have hereunto set their hands the day and year first above written.

LESSOR

Fotini Telonis, Angelo G. Telonis, Thomas G. Telonis and John G. Telonis

By: _____
Its: Attorney-in-fact

LESSEE

Ark Land Company

By: _____
Its: _____

STATE OF UTAH)
: ss.
COUNTY OF CARBON)

On the 16 day of August, 2006, personally appeared before me Nick Sampinos, who being by me duly sworn, did say that pursuant to a power of attorney the said instrument was signed on behalf of Fotini Telonis, Angelo G. Telonis, Thomas G. Telonis and John G. Telonis and he duly acknowledged to me that he executed the same.

Nyla Noyes
NOTARY PUBLIC
Residing at: Price, Utah

My Commission Expires:

NYLA NOYES
NOTARY PUBLIC • STATE of UTAH
190 NORTH CARBON AVE.
PRICE, UTAH 84501
COMM. EXPIRES 11-17-2007

STATE OF)
: ss.
COUNTY OF)

On the ___ day of _____, 2006, personally appeared before me _____, who being by me duly sworn, did say that he is the _____ Ark Land Company, and that the said instrument was signed on behalf of said company and the said _____ duly acknowledged to me that said company executed the same.

NOTARY PUBLIC
Residing at:

My Commission Expires:

i. The parties shall record a short form memorandum of this Lease substantially in the form of **Exhibit D** attached hereto in the appropriate county records.

IN WITNESS WHEREOF, the parties have hereunto set their hands the day and year first above written.

LESSOR

Fotini Telonis, Angelo G. Telonis, Thomas G. Telonis and John G. Telonis

By: _____
Its: _____

LESSEE

Ark Land Company

By: _____
Its: _____

STATE OF UTAH)
: ss.
COUNTY OF _____)

On the ___ day of _____, 2006, personally appeared before me Nick Sampinos, who being by me duly sworn, did say that pursuant to a power of attorney the said instrument was signed on behalf of Fotini Telonis, Angelo G. Telonis, Thomas G. Telonis and John G. Telonis and he duly acknowledged to me that he executed the same.

_____
NOTARY PUBLIC
Residing at:_____

My Commission Expires:

_____

STATE OF Colorado)
: ss.
COUNTY OF Mesa)

On the 16th day of August, 2006, personally appeared before me Douglas Downing, who being by me duly sworn, did say that he is the Vice-President of Ark Land Company, and that the said instrument was signed on behalf of said company and the said document duly acknowledged to me that said company executed the same.

F JEAN MORRIS
Notary Public
State of Colorado

F. Jean Morris
NOTARY PUBLIC 225 N. 5th St, Ste 900
Residing at: Grand Junction, CO 81501

My Commission Expires:

May 13, 2009

EXHIBIT A
to Lease and Easement Agreement

PREMISES

A tract of land located in Sections 4 and 5, Township 13 South, Range 7 East, Salt Lake Base and Meridian, Carbon County, Utah, and Section 32, Township 12 South, Range 7 East, Salt Lake Base and Meridian, Carbon, County, Utah, being further described as follows: Commencing at the Northwest corner of said Section 4;

Thence South 0° 28'36" East (basis of bearing taken from Utah State Plane Coordinate System), a distance of 1603.82 feet along the West line of said section to the Northerly right-of-way line of a road;

thence South 39°54'11" East a distance of 337.96 feet along said North right-of-way line to the point of beginning;

thence North 79°23'34" East a distance of 834.50 feet;

thence South 76°48'06" East a distance of 320.00 feet;

thence South 07°02'16" East a distance of 224.51 feet;

Thence South 41°01'41" West a distance of 1273.99 feet;

Thence North 20°03'57" West a distance of 917.24 feet;

thence South 78°34'14" West a distance of 75.25 feet;

thence North 36°59'55" West a distance of 884.92 feet;

thence North 24°10'17" West a distance of 588.80 feet

thence North 05°40'59" East a distance of 78.98 feet;

thence North 40°51'41" West a distance of 252.84 feet;

thence North 40° 51' 41" West a distance of 252.84 feet;

thence North 17° 12' 41" West a distance of 65.28 feet;

thence North 05° 29' 03" East a distance of 263.95 feet;

thence South 88° 43' 20" East a distance of 256.20 feet;

thence North 00° 27' 51" East a distance of 98.03 feet;

thence North 86° 08' 07" East a distance of 222.33 feet;

thence South 07° 02' 02" West a distance of 190.58 feet;

thence South 00° 35' 18" West a distance of 271.35 feet;

thence South 60° 54' 14" West a distance of 233.31 feet;

thence South 40°50'20" East a distance of 242.58 feet;

thence South 29°55'11" East a distance of 611.32 feet;

thence South 15°01'42" East a distance of 95.51 feet;

thence South 39°54'11" East a distance of 654.24 feet to the point of beginning, containing approximately 30.97 acres.

EXHIBIT B
to Lease and Easement Agreement

ACCESS LANDS

A right-of-way for the purpose of maintaining a road over a strip of land 100 feet wide over a portion of the East half of Section 5, Township 13 South, Range 7 East, Salt Lake Base and Meridian, in the County of Carbon, State of Utah, the center line which is described as follows:

Commencing at the found stone of the Northeast corner of Section 5:

Thence South 582.76 feet and West 1228.10 feet to the beginning;

thence North 52°20'45" West 50.58 feet;

thence North 36°43'48" East 369.12 feet;

thence North 78°34'35" East 104.33 feet;

thence South 05°29'03" West 104.52 feet;

thence South 78°34'35" West 35.70 feet;

thence South 36°43'48" West 330.88 feet;

thence North 53°16'12" West 50.00 feet to point of beginning.

The side lines of said right-of-way to be prolonged or shortened to meet at angle-point intersections.

Contains approximately 0.97 acres.

EXHIBIT C
to Lease and Easement Agreement

IMPROVEMENTS

1. Lessee will fill in the existing sedimentation pond and build a replacement sedimentation pond further downstream to be completed as additional waste rock storage placement is needed. At reclamation, at the request of the Lessor, Lessee will cooperate and work with both the Utah Division of Oil, Gas, & Mining and the Utah Division of Water Rights in obtaining regulatory approval for the diversion of water from the creek into the sedimentation pond which will become a retaining stock watering pond.

2. Lessee will relocate the turnaround at the base of the existing rock storage site from the northeast corner to the northwest corner of the currently established waste-rock site. In addition, Lessee will reduce the width of the road heading up the draw, depicted in **Figure 2,** from approximately 20 feet to match the existing "jeep trail" width to be completed within the Term of this Lease.

3. Lessee will move existing piles of topsoil and subsoil from a disturbed area and depression located near the main entrance to the property and adjacent to the Scofield cemetery, depicted in **Figure 3.** After removing the topsoil and subsoil, Lessee will fill in the depression with rock and reclaim the area to blend with existing topography and existing contours. The topsoil and subsoil removed from the disturbed area will be stockpiled for reclamation purposes.

4. Lessee will conduct a licensed land survey of the Premises and Access Lands, to be completed within two (2) years of Effective Date of this Lease. Lessee has no obligation, financial or otherwise, to participate in any boundary or property disputes that arise from the land survey.

5. Lessee will conduct a licensed land survey of the western boundary of the Lessor's property beginning at the NE corner of the NW/4NW/4 of Section 33, T12S, R7E, and extending south to the SW corner of the SE/4SE/4, Section 5, T13S, R7E, and Lessor's property that is located west of highway SR96, approximately 1.6 acres, to be completed within two (2) years of the Effective Date of this Lease. All prominent or shared property corners will be marked with rebar and flagged. Lessee has no obligation, financial or otherwise, to participate in any boundary or property disputes that arise from the land survey.

6. Lessee will hire a professional fence contractor and pay for the construction of a fence from the northeast corner of the Scofield City limits north to where the property boundary intersects highway SR96 north of town, and parallel to the east side of the highway to the Pace Jones southern fence line – a total of approximately 2350 linear feet. In the event that an existing fence in Sections 5, 32 or 33 needs to be moved, Lessee will pay for the construction of a new fence subsequent to the resolution of any property dispute. All fencing will be constructed according to the following terms:

a. Fencing will be completed within two (2) years of the Effective Date of this Lease, provided that the obligation to complete the fencing will be suspended over and

across any area for which there is a dispute between property owners relating to the fencing or property boundaries.

b. All corner and line braces will be made of steel construction (galvanized or painted and buried in cement).

c. All line posts will be a minimum of 5.5 feet in length and placed every twelve (12) feet.

d. The fencing will consist of five strands of barbed wire spaced in a manner acceptable to the Lessor as communicated prior to construction.

e. Following the installation of the barbed wire, treated wood stays (round or square – 2" minimum in diameter) will be installed at the midpoint between the posts and that the barbed wire then be attached to the wooden stays using galvanized tie wire.

f. Two (2) gates will be placed along the fence line and will be commercial grade of painted or galvanized steel, hinged and lockable.

7. Lessee will blade a pathway for the fence that would allow for ease in construction and future maintenance.

8. Lessee will hire a professional fence contractor and pay for the construction of a fence surrounding the area permitted for and disturbed for coal mining activities and shall maintain the fence to exclude livestock. The fence shall be constructed consistent with requirements set forth under paragraph 6 above.

EXHIBIT D
to Lease and Easement Agreement

SHORT FORM MEMORANDUM

SHORT FORM MEMORANDUM OF LEASE AND EASEMENT AGREEMENT

This Short Form Memorandum of Lease and Easement Agreement ("Short Form"), made and entered into August 1, 2006 ("Effective Date"), by and between **Fotini Telonis, Angelo G. Telonis, Thomas G. Telonis and John G. Telonis**, whose address is c/o 190 North Carbon Avenue, Price, Utah 84501 ("Lessor") and **Ark Land Company**, a Delaware corporation, whose address is One CityPlace Drive, Suite 300, St. Louis, Missouri 83141 ("Lessee").

Recitals

A. The parties have entered into that certain Lease and Easement dated effective August 1, 2006 ("Lease Agreement"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Lease Agreement.

B. The parties are the successors to the original lessors and lessees under that certain Lease Agreement dated effective as of June 1, 1982, relating to a landfill site lease for purposes of disposing of rock, materials, trash and other waste ("Original Lease"). The Original Lease expires by its terms on December 31, 2011.

C. The parties desire to replace and substitute the Original Lease with the Lease Agreement as of the Effective Date.

D. The Parties desire to enter into this Short Form for purposes of placing of record a notice of the Lease Agreement.

Short Form

NOW, THEREFORE, for and in consideration of the covenants of the Lease Agreement, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Grant.

a. Lessor has leased to Lessee and hereby makes a confirmatory lease to Lessee of, the lands situated in Carbon County, Utah, more fully described on **Exhibit 1** attached hereto and by this reference made a part hereof ("Premises") for the purposes set forth herein.

b. Lessor has granted to Lessee and hereby makes a confirmatory grant to Lessee of, a right of way and easement over and across lands owned by Lessor and more particularly described on **Exhibit 2** attached hereto ("Access Lands") for purposes of ingress and egress to and from the Premises. Lessee shall have the right to construct, maintain and use

access roads on the Access Lands as are necessary and reasonable to travel to and from the Premises for all purposes related granted under the Lease Agreement.

c. Lessee shall have the right to use the Premises for the following purposes:

(i) Construction and operation of a coal waste-rock site to be used in connection with the Skyline Mine for the disposal of waste rock as permitted by the Utah Division of Oil, Gas and Mining;

(ii) Construction and operation of a sedimentation pond to be used in conjunction with the coal waste-rock site; and

(iii) Construction and use of an access road "turn around" to be used in conjunction with the coal waste-rock site.

d. Lessor reserves and retains, and the Lease Agreement does not include, rights to and ownership of oil and gas, timber and other minerals and the rights to develop such minerals, to the extent such uses do not interfere with Lessee's permitted activities on the Premises.

e. Lessor hereby further reserves and retains the right at all times relevant hereto to enter upon the Premises for all lawful purposes related to (i) Lessor's ownership and management of the Premises; (ii) Lessor's or Lessor's livestock grazing lessee's use of the Premises and adjoining lands owned by Lessor; and (iii) Lessor's or Lessor's hunting lessee's activities on the adjoining land owned by Lessor provided, however, that Lessor's reservation shall not, nor shall it be interpreted to, limit or restrict the grant made in the Lease Agreement or confirmed hereunder to Lessee.

f. All grants to Lessee in the Lease Agreement and confirmed hereunder shall be made for the benefit of, and where necessary shall extend to, Canyon Fuel Company, L.L.C., an affiliate of Lessee and the operator of the Skyline Mine.

2. Term. The term of the Lease Agreement shall commence on the Effective Date and shall remain in full force and effect for a term of fifteen (15) Lease Years ("Term") (each twelve (12) month period beginning on the Effective Date is referred to herein as a "Lease Year").

3. Multiple Uses. Lessee acknowledges the existence of an Access Agreement dated October 4, 2005 between the Telonis Family and Carbon Resources relating to exploration activities for coal on Lessor's lands. Any conflicts concerning the use of the Premises for activities under the Access Agreement and activities under the Lease Agreement will be governed in accordance with the laws of the State of Utah. Lessee hereby further acknowledges the existence of (i) a Grazing Lease between the Telonis Family and Nick Sampinos relating to the grazing of livestock on Lessor's lands; and (ii) a hunting lease between the Telonis Family and Lloyd Pehrson relating to big game hunting on the land owned by Lessor which adjoins the Premises provided, however, that, except as specifically provided in the Lease Agreement, in the event of a conflict between uses of the Premises, the rights granted in the Lease Agreement and confirmed hereunder shall have preference over the rights granted in the grazing and hunting

leases and nothing in those leases shall waive, amend or diminish any rights granted to Lessee in the Lease Agreement or confirmed hereunder.

4. Assignment. Lessee shall not assign, transfer, mortgage, pledge, sell or convey the Lease Agreement to any person without the prior written consent of Lessor, provided, however, that consent shall not be required for an assignment, transfer, mortgage, pledge or sale by Lessee to an affiliate of Lessee, or to a third party who is buying all or substantially all of the assets of Lessee, its affiliate Canyon Fuel Company, LLC, or the Skyline Mine. Lessor may assign, transfer or sell its rights under the Lease Agreement only in conjunction with the sale of the Premises and subject to Lessee's rights under the Lease Agreement. Changes in the ownership of the Premises shall be made by written notice to Lessee with evidence satisfactory to Lessee of such change in ownership.

5. Miscellaneous.

a. All notices provided for herein shall be given to the parties at the following address:

If to LESSOR:

c/o Nick Sampinos
190 North Carbon Avenue
Price, Utah 84501

If to LESSEE:

Ark Land Company
Attn: President
One CityPlace Drive, Suite 300
St. Louis, MO 63141
Telephone: 800-238-7398
Fax: (314) 994-2940

With a copy to:

Skyline Mine
Attn: Mine Manager
Telephone: (435) 448-2619
Fax: (435) 448-2632

or at such other address or number as shall be designated by either party in a notice to the other party given in accordance with this section. Except as otherwise provided in the Lease Agreement, all such communications shall be deemed to have been duly given, (a) in the case of a notice sent by regular mail, on the date actually received by the addressee, (b) in the case of a notice sent by registered or certified mail, on the date receipted for (or refused) on the return receipt, (c) in the case of a notice delivered by hand, when personally delivered, (d) in the case of a notice sent by facsimile or electronic transmission, upon transmission subject to telephone confirmation of receipt, and (e) in the case of a notice sent by overnight mail or overnight courier service, the date delivered at the designated address, in each case given or addressed as aforesaid.

b. The Lease Agreement contains terms and conditions that are not set forth in this Short Form but which nevertheless are by reference made a part hereof. If there is a conflict between the terms of this Short Form and the terms of the Lease Agreement, the terms of the Lease Agreement shall control in all respects. Lessor and Lessee intend that the terms of the Lease Agreement remain separate and distinct from and not merge into the terms of this Short Form. Requests for information regarding the Lease Agreement should be made to the parties at the addresses set forth above.

c. This Short Form may be executed in any number of counterparts, and each counterpart hereof shall be deemed to be an original instrument, but all such counterparts shall constitute but one original.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have hereunto set their hands the day and year first above written.

LESSOR

Fotini Telonis, Angelo G. Telonis, Thomas G. Telonis and John G. Telonis

By: _____
Its: _____

LESSEE

Ark Land Company

By: _____
Its: _____

STATE OF UTAH)
: ss.
COUNTY OF _____)

On the ___ day of _____, 2006, personally appeared before me Nick Sampinos, who being by me duly sworn, did say that pursuant to a power of attorney the said instrument was signed on behalf of Fotini Telonis, Angelo G. Telonis, Thomas G. Telonis and John G. Telonis and he duly acknowledged to me that he executed the same.

_____
NOTARY PUBLIC
Residing at:_____

My Commission Expires:

_____

STATE OF)
: ss.
COUNTY OF _____)

On the ___ day of _____, 2006, personally appeared before me _____, who being by me duly sworn, did say that he is the _____ Ark Land Company, and that the said instrument was signed on behalf of said company and the said _____ duly acknowledged to me that said company executed the same.

_____
NOTARY PUBLIC
Residing at:_____

My Commission Expires:

_____

EXHIBIT 1
to Short Form of Lease and Easement Agreement

PREMISES

A tract of land located in Sections 4 and 5, Township 13 South, Range 7 East, Salt Lake Base and Meridian, Carbon County, Utah, and Section 32, Township 12 South, Range 7 East, Salt Lake Base and Meridian, Carbon, County, Utah, being further described as follows: Commencing at the Northwest corner of said Section 4;

Thence South 0° 28'36" East (basis of bearing taken from Utah State Plane Coordinate System), a distance of 1603.82 feet along the West line of said section to the Northerly right-of-way line of a road;

thence South 39°54'11" East a distance of 337.96 feet along said North right-of-way line to the point of beginning;

thence North 79°23'34" East a distance of 834.50 feet;

thence South 76°48'06" East a distance of 320.00 feet;

thence South 07°02'16" East a distance of 224.51 feet;

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Thence North 20°03'57" West a distance of 917.24 feet;

thence South 78°34'14" West a distance of 75.25 feet;

thence North 36°59'55" West a distance of 884.92 feet;

thence North 24°10'17" West a distance of 588.80 feet

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thence North 40°51'41" West a distance of 252.84 feet;

thence North 40° 51' 41" West a distance of 252.84 feet;

thence North 17° 12' 41" West a distance of 65.28 feet;

thence North 05° 29' 03" East a distance of 263.95 feet;

thence South 88° 43' 20" East a distance of 256.20 feet;

thence North 00° 27' 51" East a distance of 98.03 feet;

thence North 86° 08' 07" East a distance of 222.33 feet;

thence South 07° 02' 02" West a distance of 190.58 feet;

thence South 00° 35' 18" West a distance of 271.35 feet;

thence South 60° 54' 14" West a distance of 233.31 feet;

thence South 40°50'20" East a distance of 242.58 feet;

thence South 29°55'11" East a distance of 611.32 feet;

thence South 15°01'42" East a distance of 95.51 feet;

thence South 39°54'11" East a distance of 654.24 feet to the point of beginning, containing approximately 30.97 acres.

EXHIBIT 2
to Short Form of Lease and Easement Agreement

ACCESS LANDS

A right-of-way for the purpose of maintaining a road over a strip of land 100 feet wide over a portion of the East half of Section 5, Township 13 South, Range 7 East, Salt Lake Base and Meridian, in the County of Carbon, State of Utah, the center line which is described as follows:

Commencing at the found stone of the Northeast corner of Section 5:

Thence South 582.76 feet and West 1228.10 feet to the beginning;

thence North 52°20'45" West 50.58 feet;

thence North 36°43'48" East 369.12 feet;

thence North 78°34'35" East 104.33 feet;

thence South 05°29'03" West 104.52 feet;

thence South 78°34'35" West 35.70 feet;

thence South 36°43'48" West 330.88 feet;

thence North 53°16'12" West 50.00 feet to point of beginning.

The side lines of said right-of-way to be prolonged or shortened to meet at angle-point intersections.

Contains approximately 0.97 acres.

FIGURE 1
to Lease and Easement Agreement

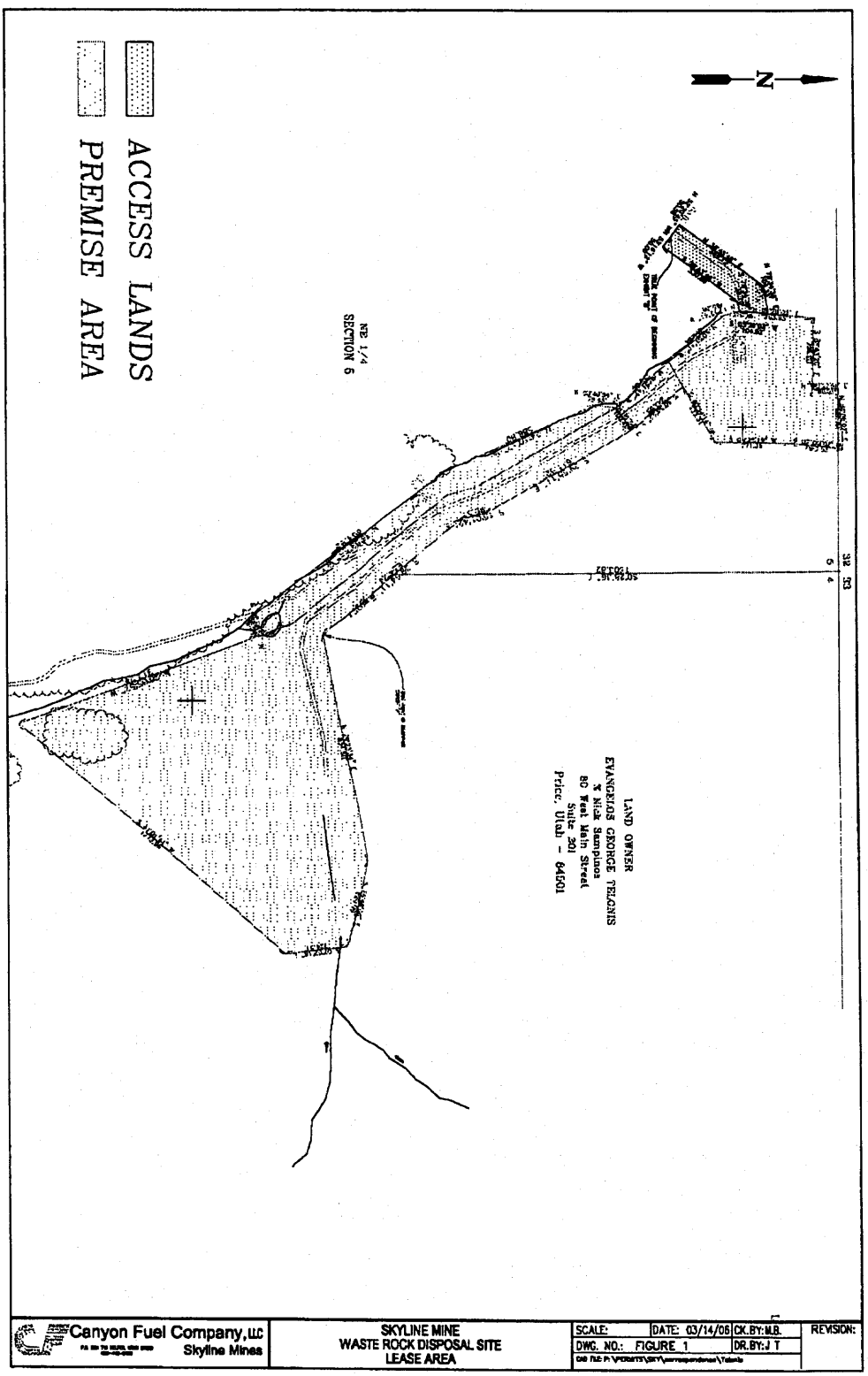


Figure 1- Page 1

FIGURE 2
to Lease and Easement Agreement

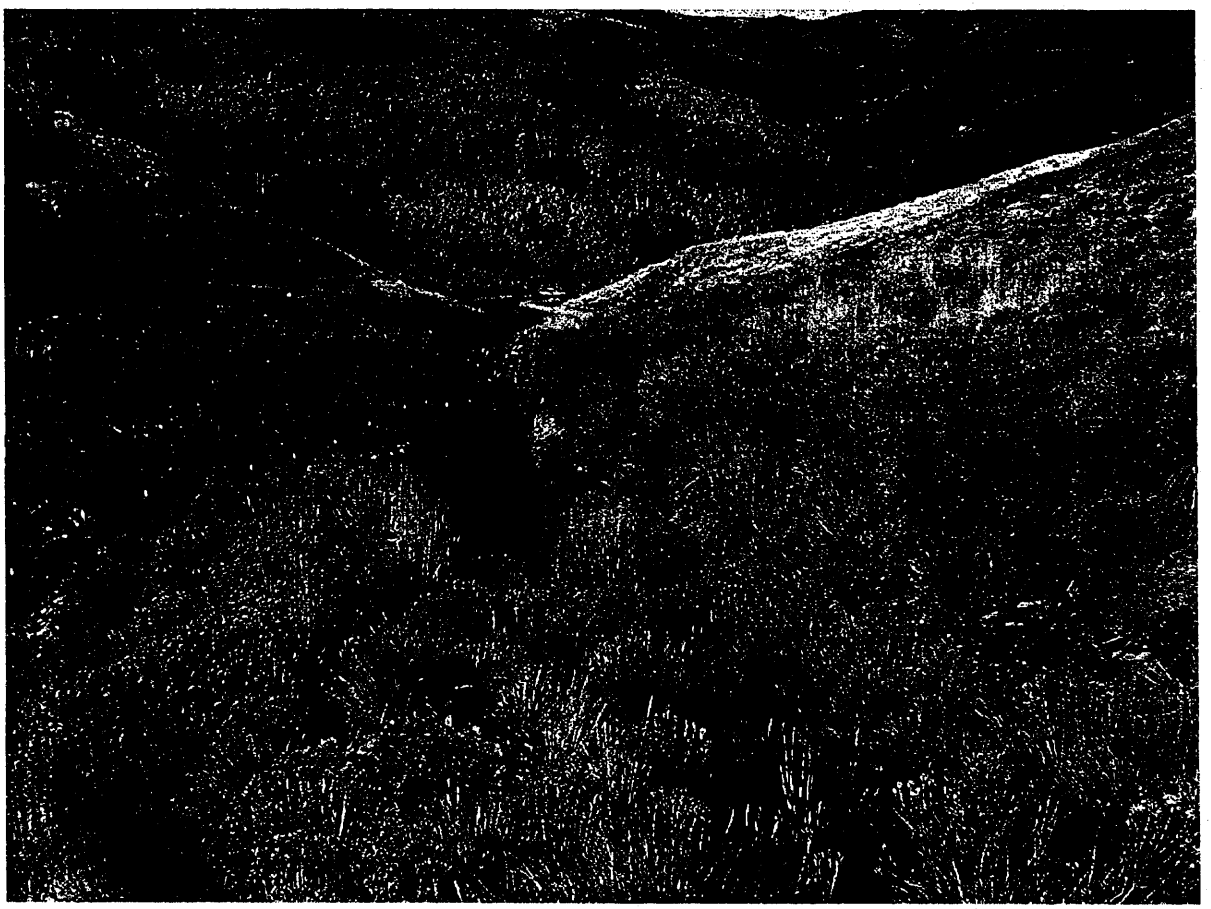


FIGURE 3
to Lease and Easement Agreement

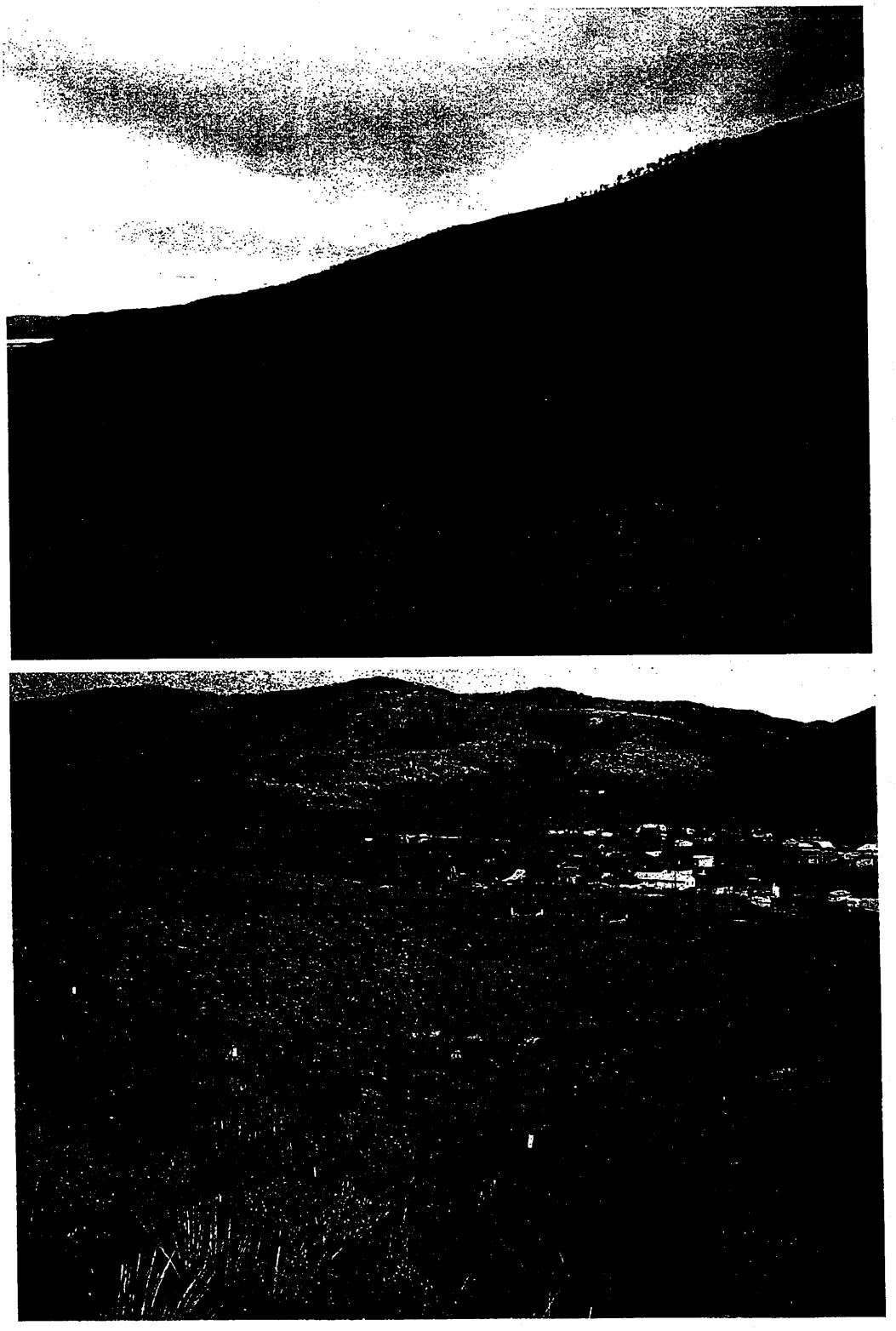


Figure 3- Page 1

Sedimentation Pond Design
Waste Rock Disposal Site
Replacement Pond
2006

The following outlines the information provided as engineering designs for the reconstruction of the Waste Rock Disposal site Sedimentation pond. The replacement pond services the same area as the sedimentation pond it replaces. The new pond is adjacent to the existing pond, being located approximately 100 feet downstream. The disturbed area is increased by approximately 0.44 acres to accommodate the footprint of the new pond.

Included are pond-sizing calculations outlining an undisturbed area of 5.2 acres and a disturbed area of 8.2 acres. The disturbed area of 8.2 acres is oversized considering approximately 2.5 acres of the western slope of the Waste Rock pile has been reclaimed. The methodology used for the pond-sizing is identical to methodology used for the Mine site pond (Volume 5, Section7 of M&RP). The replacement pond is designed with a fill volume of approximately 99,000 cubic-feet, which is approximately 7 percent larger than the existing pond. Considering the existing pond has never discharged, the current design more than accommodates the increase in the disturbed area.

Also included are a AutoCad generated Pond Volume report, and a Pond Capacity report that outlines both total pond capacity and available run-off storage. An updated Waste Rock Storage Area useage chart has also been attached that is also located in Volume 5, Section 16 of the M&RP.

Waste Rock Disposal Sediment Pond
10year 24hour

1) Sizing Pond

A) Runoff From Undisturbid Area Map 3.2.8-2

area = 227,591.3238 ft^2 = 5.2 AC

CN = 72 $P_{10year\ 24hour}$ = 2.45 Inches

$S = \left(\frac{1000}{CN}\right) - 10$

$Q = \frac{(P - .2(S))^2}{(P + .8(S))}$

EQ 2.39 & 2.38 from Pg 81 Applied Hydrology & Sedimentology for Disturbed areas (Barfild and Haan)

$S = \left(\frac{1000}{72}\right) - 10 \Rightarrow S = \underline{3.89}$

$Q = \frac{(2.45 - .2(3.89))^2}{(2.45 + .8(3.89))} \Rightarrow Q = \underline{.503 \text{ inches}}$

a) Runoff Volume for a 10year 24hour

$RV = \frac{(Q \times A)}{12 \text{ in/ft}}$

$RV = \frac{(.503 \text{ in} \times 5.2 \text{ AC})}{12 \text{ in/ft}} = .22 \text{ AC-FT}$

$RV = .22 \text{ AC-FT} \times 43{,}560 \text{ Cu-FT/AC-FT} \Rightarrow RV = \underline{9{,}583.2 \text{ Cu-FT}}$

B) Runoff From Disturbed Area Map "Waste rock site Volume Permit Addition Volumes"

area: 357,191.27 ft^2 = 8.2 AC

CN = 90 $P_{10year\ 24hour}$ = 2.46"

$S = \left(\frac{1000}{CN}\right) - 10$

$Q = \frac{(P - .2(S))^2}{(P + .8(S))}$

EQ 2.39 & 2.38 from Pg 81 Applied Hydrology and Sedimentology For Disturbed areas (Barfild and Haan)

$S = \left(\frac{1000}{90}\right) - 10 \Rightarrow S = \underline{1.1}$

$Q = \frac{(2.45 - .2(1.1))^2}{(2.45 + .8(1.1))} \Rightarrow Q = \underline{1.49"}$

a) Runoff Volume for a 10year 24hour

$RV = \frac{(Q \times A)}{12 in/ft}$

$RV = \frac{(1.49" \times 8.2 AC)}{12 in/ft} = 1.02 \text{ AC-ft}$

$RV = 1.02 \text{ AC-ft} \times 43560 \text{ Cu ft/AC-FT} = \underline{44431.2 \text{ Cu ft}}$

C) Sediment Volume

.1 AC-Ft for each Disturbed acre

Vol = .1 Ac-Ft/ x 8.2 AC = .82 AC-FT

Vol = .82 AC-FT x 43560 CU-FT/Ac-FT $\Rightarrow$ Vol = $\underline{35719.2 \text{ CU-FT}}$

D) Total Volume

The total storage volume capacity of the Pond should be greater than the total volumes of the sediment, Runoff from Disturbed area, and the Runoff from the undisturbed area.

Total volum = Sediment + Disturbed area + undisturbed area

Total Volum = (35,719.2 CU-FT) + (44,431.2 Cu-ft) + (9,583.2 Cu-Ft)

Total Volum = $\underline{89733.6 \text{ Cu Ft}}$ so the pond capacity should exceed this volume.

This is culated for a 10year 24hour storm

Waste Rock Disposal
Sediment Pond
100year 6hour

1) Sizing of the Pond

A) Runoff from Undisturbid Area Map: 3.2.8-2

area → $227,591.3238 ft^2 = 5.2$ AC

CN = 72 $P_{100year\ 6hour} = 2.29$"

$S = \left(\frac{1000}{CN}\right) - 10$

$Q = \frac{(P - .2(S))^2}{(P + .8(S))}$

EQ 2.39 & 2.38 from PG 81 "Applied Hydrology and sedimentology for Disturbed areas" (Barfild and Haan)

$S = \left(\frac{1000}{72}\right) - 10 \Rightarrow \underline{S = 3.89}$

$Q = \frac{(2.29" - .2(3.89))^2}{(2.29" + .8(3.89))} \Rightarrow \underline{Q = .42"}$

a) Runoff volume for a 100year 6hour

$RV = \left(\frac{(Q \times A)}{12 in/ft}\right) \times 43,560.00$ Cu-ft/Ac-Ft

$RV = \left(\frac{(.42" \times 5.2 AC)}{12 in/ft}\right) \times 43,560.00$ cuft/Ac-Ft

$\underline{RV = 7927.92 \text{ Cu-ft}}$

B) Runoff from Disturbed Area Map: "Waste rock site Volume Permit Addition volumes"

area → $357,191.27 ft^2 = 8.2$ AC

CN = 90 $P_{100year\ 6hour} = 2.29$"

$S = \left(\frac{1000}{CN}\right) - 10$

$Q = \frac{(P - .2(S))^2}{(P + .8(S))}$

EQ 2.39 and 2.38 from PG 81 "Applied Hydrology and Sedimentology for Disturbed areas" (Barfild and Haan)

$S = \left(\frac{1000}{90}\right) - 10 \Rightarrow \underline{S = 1.1}$

$Q = \frac{(2.29" - .2(1.1))^2}{(2.29" + .8(1.1))} \Rightarrow Q = 1.35"$

A) Runoff volume for a 100 year 6hour

$RV = \left(\frac{(Q \times A)}{12 in/ft}\right) \times 43{,}560 \text{ cu-ft/Ac-ft}$

$RV = \left(\frac{(1.35" \times 8.2 AC)}{12 in/ft}\right) \times 43{,}560.00 \text{ cu-ft/Ac-ft}$

$\underline{RV = 40{,}184.1 \text{ Cu-ft}}$

C) Sediment volume

.1 Ac-Ft/Ac for each Disturbed acre

Vol = .1 Ac-Ft/Ac x A

Vol = .1 Ac-Ft/Ac x 8.2 Ac = .82 Ac-Ft

Vol = .82 Ac-Ft x 43,560.00 cu-Ft/Ac-Ft

$\underline{Vol = 35{,}719.2 \text{ Cu-Ft}}$

D) Total Volume

The total volume capacity of the pond should be greater then the total volumes of the Sediment, Runoff from Disturbed area, and the Runoff from the undisturbed area

Total Volume = (Sediment) + (Disturbed area runoff) + (undisturbed are runoff)

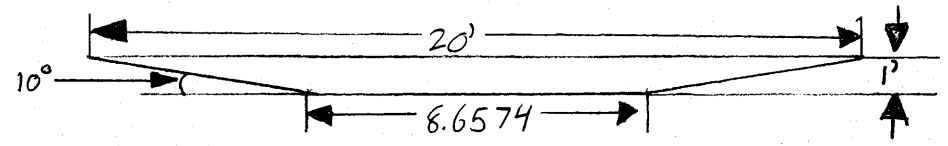
TV = (35,719.2 cu-Ft) + (40,184.1 cu-ft) + (7,927.92 cu-Ft)

$\underline{TV = 83{,}831.22 \text{ cu-Ft}}$ Pond capacity should exceed this volume

This is culated for a 100 year 6hour storm

Waste Rock Sediment Pond
Spillway and Decant Pipe

1) Spillway for sediment pond



$$Q=\left(\frac{1.49}{n}\right)\times A\times R_h^{(2/3)}\times Se^{(1/2)}$$

Q = normal discharge
n = roughness coefficient
A = area
R_h = hydraulic radius
Sc = channel slope

E.g. 6.5B on pg 163 of "Fundamentals of Hydraulic Engineering Systems Third Edition" (Hwang and Houghtalen) (FHESTE)

n = .05 from table 6.1 on pg 162 of (FHESTE)

$A=(b+zd)d$

$z=\frac{1}{(\text{side slop})} \Rightarrow Z=\frac{1}{\left(\frac{1}{5.6713}\right)} \Rightarrow Z=5.6713$

$A=(8.6574+5.6713\times 1)\times 1 \Rightarrow A=14.27$

$R_h=\frac{A}{P}$

P = wetted perimeter
$P=b+2d\sqrt{1+z^2} \Longrightarrow P=8.6574+2\times 1\times\sqrt{1+5.6713^2}$
$P=20.18$

$R_h=\frac{14.27}{20.18} \Rightarrow R_h=.71$

$Sc=\frac{\text{rise}}{\text{run}} \Rightarrow Se=\frac{.5}{14} \Rightarrow Sc=2^\circ \text{ or } .04$

$Q=\left(\frac{1.49}{.05}\right)\times 14.27\times(.71^{(2/3)})\times(.04^{(1/2)})$

$Q=67.69\ cfs$

2) Decant pipe for sediment pond

— Note: The decant pipe is the same size as the one in the old pond. If posibill my what to use the decant pipe from old pond.

Pond Volume Report

Volume Report 07/12/2006 13:24
Comparing GRiD file: Y:/MCAD/WASTEROC/waste rock sed pond final.grd
Plane elevation: 7852.66
Grid corner locations: 2096557.29,504923.39 to 2098615.29,506246.39
Grid resolution X: 686, Y: 441 Grid cell size X: 3.00, Y: 3.00
Area in Cut : 549.6 S.F., 0.01 Acres
Area in Fill: 11,524.4 S.F., 0.26 Acres
Total inclusion area: 12,074.0 S.F., 0.28 Acres
Cut to Fill ratio: 0.00
Average Cut Depth: 0.36 Average Fill Depth: 8.61
Density: 100.00 (lbs/ft^3)
Cut (C.Y.) / Area (acres): 26.33
Fill (C.Y.) / Area (acres): 13257.18
Cut volume: 197.0 C.F., 7.30 C.Y., 9.85 Tons
Fill volume: 99,215.4 C.F., 3,674.65 C.Y., 4,960.77 Tons

Using AutoCad the total volume of the pond was calculated. The floor of the pond was established as the lowest elevation and the top of the pond as the highest elevation. The pond was isolated and AutoCad evaluates the topography and calculates the fill volume of the specified region. The fill volume that is calculated represents the amount that can be held by the given region. So the pond is has a capacity of 99,215 cubic feet. AutoCad has been proven to be accurate and is widely used. Above is the actual calculation sheet produced by AutoCad.

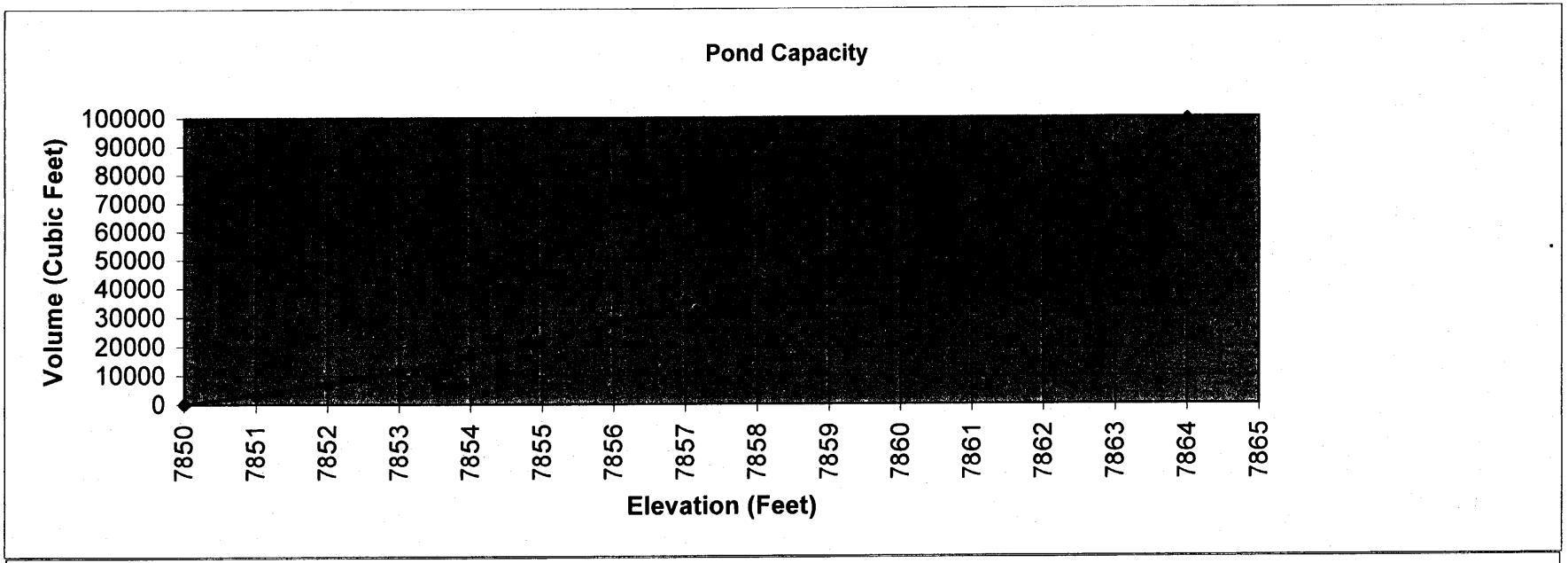
Pond Capacity Report

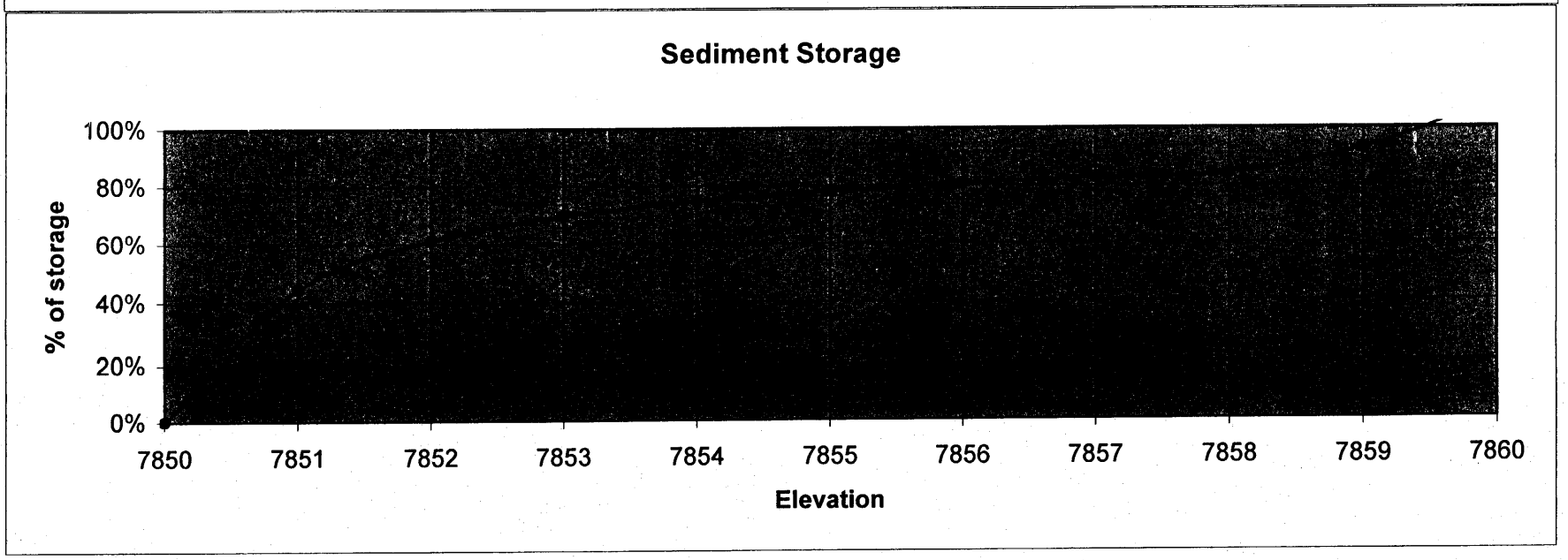
Elevation	Volume C.F.	% full
7864	99215.4	100.0%
7863	88069.7	88.8%
7862	77618.5	78.2%
7861	67815.5	68.4%
7860	58646.8	59.1%
7859	50101.8	50.5%
7858	42169.8	42.5%
7857	34840.6	35.1%
7856	28104.8	28.3%
7855	21955.1	22.1%
7854	16387.7	16.5%
7853	11388.5	11.5%
7852	6944.9	7.0%
7851	3077.4	3.1%
7850	0	0.0%

Maximum Pond Capacity is 99,215.4 C.F.

Storm Event Run-off Volume is 45,302.4 C.F.

Elevation	Sediment Storage C.F.	% storage
7860	53913	108.8%
7859	50101.8	92.9%
7858	42169.8	84.2%
7857	34840.6	82.6%
7856	28104.8	80.7%
7855	21955.1	78.1%
7854	16387.7	74.6%
7853	11388.5	69.5%
7852	6944.9	61.0%
7851	3077.4	44.3%
7850	0	0.0%


Pond Capacity
Volume (Cubic Feet)
100000
90000
80000
70000
60000
50000
40000
30000
20000
10000
0
7850
7851
7852
7853
7854
7855
7856
7857
7858
7859
7860
7861
7862
7863
7864
7865
Elevation (Feet)


Sediment Storage
% of storage
100%
80%
60%
40%
20%
0%
7850
7851
7852
7853
7854
7855
7856
7857
7858
7859
7860
Elevation

Waste Rock Storage Area Useage

The disposal area was initially designed and estimated to hold approximately 131,000 Yd^3 of material. Hauling of material is based on weight not volume, and both the weight and volume can vary considerable, whether the waste rock is of igneous or sedimentary origin. Originally, the density was calculated at 110 lb/cu-ft (1.45 tons/yd^3). After additional years of testing, the standard has been modified and is now calculated at 91 lb/cu-ft (1.23 tons/yd^3). All the stored volumes listed below are based on a calculated density of 1.23 tons per yd^3. The capacity listed in the following table uses the capacity calculated in a 1999 survey. Based on the original estimates, the disposal area would have been out of available space in 1996. No changes in the disturbed area or pile configuration occurred during that time. Based on variability in annual use, weight, volume, and limits of the surveys, the table is intended to be used as an estimated figure only.
- (estimated use)

Year	Volume Stored (Yd^3)	Capacity (Yd^3)
1984		271,646
1987	11,541	260,105
1988	(1,300)	258,805
1989	(1,300)	257,105
1990	(1,300)	256,205
1991	3,252	252,953
1992	6,504	246,449
1993	3,252	243,197
1994	9,756	233,441
1995	24,461	208,980
1996	43,902	165,078
1997	37,797	127,281
1998	82,849	44,432
1999 – Expanded	18,823	49,390
2000	4,243	45,145
2001	244	44,903
2002	13,068	34,279
2003	10,624	20,652
2004	0	20,652
2005 – Re- Surveyed (Sept.)	8,870	54,642
2006 – Expanded w/ new pond	(32,520)	57,539
2007	(8,000)	49,539
2008	(8,000)	41,539
2009	(8,000)	32,539
2010	(8,000)	24,539
2011	(8,000)	16,539
2012	(8,000)	8,539
2013	(7,000)	1,539