



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

June 19, 2007

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

Gregg Galecki
C/007/0005
TASK ID # 2813

RE: North Lease Incidental Boundary Change (IBC), 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 expanding the current permit area. The amendment proposes expansion of the existing permit area by approximately 680 acres. The 680 acres lie immediately east of the North Lease portion of the existing permit area. A map outlining the IBC is attached to this letter for convenience.

Under the proposed Mine Plans sequence mining activities will cross the existing permit boundary in January 2008, and Skyline Mine is requesting the Incidental Boundary Change (IBC). The modification is categorized as an IBC because the area of expansion is less than 15% of the area currently permitted, does not engage in operations outside the cumulative impact area as defined in the Cumulative Hydrologic Impact Area (CHIA), and does not engage in operations in hydrologic basins other than those authorized in the currently approved permit. Supporting information includes appropriate text changes and twenty two (22) maps that were modified to illustrate the new permit boundary, including recent modifications to the Waste Rock Disposal site. Expansion into the IBC includes only development mining, no surface disturbance or subsidence associated with longwall mining is anticipated.

Also included is letter addressed to you outlining the separation of coal ownership and surface ownership. Copies of the letter are included in the amendment with instructions (C2 form) that the letter be included in the M&RP (Appendix 118).

The submittal includes completed C1 and C2 forms, an application guidance document – identifying where pertinent regulations are addressed, and eight (8) copies of both clean and redline versions of the text modifications.

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

Sincerely,

Gregg A. Galecki

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

File in:
C/007/005, 2006, Incoming
Refer to:
 Confidential
 Shelf
 Expandable
Date 6/19/07 For additional information

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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: Incidental Boundary Change (IBC) in North Lease

Description, Include reason for application and timing required to implement:
IBC - North Lease

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: 680 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 Sorenson
Print Name

Wesley K Sorenson
Sign Name, Position, Date
General Manager 6/19/07

Subscribed and sworn to before me this 19th day of June, 2007

Kathleen Atwood
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 <div style="font-size: 2em; color: red; font-weight: bold;">RECEIVED</div> <div style="font-size: 1.5em; color: red; font-weight: bold;">JUN 20 2007</div> <div style="color: red; font-weight: bold;">DIV. OF OIL, GAS & MINING</div>
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Skyline Mine

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Gregg Galecki, Environmental Eng.
HCR 35, Box 380
Helper, UT 84526
(435) 448-2626 - Office
(435) 448-2632 - Fax

June 15, 2007

Ms. Pamela Grubaugh-Littig
Utah Coal Program
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84144-5801

RE: Incidental Boundary Change (IBC) to include S1/2S1/2 Section 36, T 12 South, Range 6 East, and the W1/2 of Section 1, the W1/2SW1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M

Dear Pam:

Canyon Fuel Company, LLC (CFC), Skyline Mine intends to develop main entries into the W1/2NW1/4 of Section 1, and conventionally-mine storage rooms in the SW1/4 of Section 1 and N1/2NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M in coal that the company has leased from Energy Fuels Corporation and C&B Coal. The current surface land owners are the Allred Family Trust administered by Phil Allred, and Koula Marakis Trust administered by George E. and Helen Liodakis and Liodakis Ranch, LLC. CFC has notified the two trust administrators this area of their property will be undermined as main entries and room-and-pillar areas are developed from the existing Skyline Mine works toward areas north of Winter Quarters Canyon. In good-faith, Skyline Mine has confidential agreements in place with both of these family trusts that addresses undermining their property. CFC Skyline Mine will first-mine only in the portions of the Energy Fuels and C&B Coal leases described and no subsidence will occur as a result of the mining.

Utah Administrative Code **R645-301-114.200** relating to the general contents of a coal permit application provides that where the private mineral estate to be mined has been severed from the private surface estate, an applicant will submit one of the following: 1) a copy of the written consent of the surface owner, or 2) a copy of the conveyance that expressly grants or reserves the right to extract coal by certain coal mining and reclamation operations, or 3) documentation that the applicant has the legal authority under Utah law to extract the coal by the proposed operations. CFC Skyline Mine submits that it meets the requirements set forth under **114.210, 114.220, and 114.230**.

CFC Skyline Mine has been granted valid coal leases from Energy Fuels Corporation and C&B Coal, the owners of the coal estate, to conduct underground mining of coal in the W1/2 of Section 1 and the N1/2NW1/4 of Section 12, T13S, R6E, SLB&M, respectively. See, Amended Section 5 of *Consent, Ratification, and Amendment of Lease and Agreement*. Utah law recognizes the general rule that the rights of the owner (or rights of a lessee) of mineral rights in land are dominant over the rights of the owner of the fee to the extent reasonably necessary to extract the minerals from the affected lands. *Flying Diamond vs. Rust*, 551 P.2d 509 (Utah 1976) (copy attached to 8/8/02 letter to DOGM, Appendix 118A of currently approved M&RP). The Utah Supreme Court has clearly adopted the principle that wherever there exists separate ownerships of interest in the same land, "each (party) should have the right to the use and enjoyment of his interest in the property to the highest degree possible not inconsistent with the rights of the other." *Flying Diamond* at 511. The dominant right of the mineral estate is qualified: the mineral owner of lessee must exercise his or her rights only as "reasonably necessary" and consistent with allowing the fee owner "the greatest possible use of his property." *Smith vs. Linmar*

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Energy Corp., 790 P. 2d 1222, 1224 (Utah App. 1990) (copy attached to 8/8/02 letter to DOGM, Appendix 118A of currently approved M&RP).

Under the current permit application, CFC Skyline Mine proposes to conduct underground mining below the fee surface without material damage to the surface resulting from either direct surface access or subsidence. Consequently, CFC Skyline is exercising its rights to mine the Energy Fuels and C&B Coal leases with respect to the fee surface consistent with Utah law in a "reasonably necessary" manner while allowing the fee surface owner "the greatest possible use of his property".

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

Sincerely,



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