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February 17, 2010

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING (COAL PERMITS)
1594 WEST NORTH TEMPLE, SUITE 1210
SALT LAKE CITY, UTAH 84116
VIA MAIL AND EMAIL: ogmcoal@utah.gov

RE: APPLICATIONS FOR COAL PERMIT RECEIVED BY DOGM OCT 22, 2009 AND
JAN 11, 2010
PERMITTEE: CANYON FUEL COMPANY
MINE: SKYLINE MINE
TITLE: WINTER QUARTERS VENTILATION FACILITY
PERMIT NUMBER: C/007/005

My client: Liodakis Ranch LLC, whose land is adjacent to, included in or affected
by the proposed Skyline Mine Winter Quarters Ventilation Facility

Dear Division of Oil, Gas and Mining – COAL:

Liodakis Ranch LLC (Liodakis Ranch) strongly objects to the most recent application
submitted by the Skyline Mine (Canyon Fuel Company, LLC) and received by the
Division of Oil, Gas and Mining (DOGM) on January 11, 2010 for the following reasons:

1. Liodakis objects to the major change in the Winter Quarters Ventilation Facility
(WQVF) proposal from the October application to the January 2010 application: the
earlier application submitted for Skyline Mine and received by the DOGM on October
22, 2009 specifically placed the proposed WQVF in part on land owned by Liodakis
Ranch. The earlier October 22, 2009 application stated in part at 1-34 (Revised 9-3—
09) as follows:

“(6) (Future Liodakis Ranch LLC Agreement) A Lease Agreement dated (to be
determined), between Liodakis Ranch, LLC and the Permittee grants the
Permittee the right to use (to be determined)**** acre parcel located in Winter
Quarters Canyon. The parcel encompasses the approximate south portion of the
WQVF. (See Appendix 118)”

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DIV. OF OIL, GAS & MINING
WEBSITE: <http://ldbuhler.com/>

The later January 2010 application excludes the Liodakis Ranch property by moving the facility slightly north (about 50 feet) and makes many other significant changes as discussed, in part, in this letter.

In reliance on the earlier, October application and communications with the mine's representatives, Liodakis Ranch believed the "Lease Agreement" it was negotiating with the mine would compensate it for not only the use of specific land for the WQVC but also for the severe impacts the facility will have on hundreds of acres of Liodakis Ranch property. For example, the WQVC will have a large industrial fan that, according to the mine, will be audible for over a mile away.

The Winter Quarters entrance to the Liodakis Ranch and the proposed WQVF is a beautiful canyon in which the WQVF will have negative environmental, noise, site, sound, water, geotechnical, biological and other impacts covering dozens of acres of Liodakis Ranch land. It is important to know that this canyon is steep and narrow, and activities on one side of the canyon cannot be separated so as to prevent industrial mining impacts (sound, water, site, and other environmental impacts) to other parts of the canyon. The Liodakis Ranch, at this location, is used for prize large game hunting, fishing, and other recreational activities with significant economic benefits to the Liodakis Ranch. The Ranch receives tens of thousands of dollars in compensation from hunters, for example, to hunt in this area of the Liodakis Ranch. Raptors are abundant on the Ranch, and the impact of the WQVF on the flora and fauna is significant. The Liodakis Ranch has tremendous development opportunities for cabins and resort development that will be severely curtailed by this facility.

Therefore, it was with the understanding that the mine would enter into an agreement with the Liodakis Ranch to compensate it for these impacts that the Ranch did not object to the earlier application. However, the totally new design that simply moves the WQVF location a few dozen feet while keeping the severe impacts to Liodakis Ranch property largely in place. This is unacceptable to the Liodakis Ranch as a significant attack on its property rights without just compensation.

As we stated to the mine's attorney in November of 2009:

"The facility involves extensive construction and impacts to the soils and the creek. Before, during and after construction, its operations will prohibit development around the facility for several hundred yards outside the facility. For example, the sound of the ventilation fan may be audible over a mile away. The views of one of the main entrances to the Liodakis Ranch will suffer for over five decades. This beautiful mountain and forest area of the Ranch will lose much of its aesthetic and environmental appeal. Affecting many more acres than what is leased the facility will destroy potential real estate development including the possibilities for cabins, lodges and other housing, as well as hunting, fishing and other mountain resort and recreational uses."

In November and December of 2009 and January and February of 2010, the mine through its representatives advised Liodakis Ranch and me that there were some

environmental concerns with the stream and some title concerns with a railroad easement that was causing a delay in the project. Only last week did we learn, in spite of our inquiries with the mine, that DOGM had received this completely revised application that gives no consideration to the WQVF's impacts on the Liodakis Ranch. Based on the foregoing, and the entire record involving this application, the Liodakis Ranch objects.

2. The Liodakis Ranch objects to this application because much of the studies provided to DOGM were based on the earlier application with a design that is significantly different from the January 2010 application. In addition, the impacts of the earlier design assumed a lease with the Liodakis Ranch that mitigated the harm to the Ranch through an agreement with the mine; this is no longer the case. Further, significant changes including completely different and large cuts and fills in the soils on the facility have profoundly different impacts on the canyon that have not been properly assessed.

3. The Liodakis Ranch objects that January 2010 application submitted to DOGM by the mine and the process by which it is reviewed violate the requirements set out in the Utah Administrative Code R645-300, R645-301, R645-303, R645-303-207, etc. Proper notice and review are lacking in this application and process due to the significant changes in the application, as discussed herein, and the incompleteness and misdirection contained in the applications submitted violate state and federal regulation, law and constitutional rights of my client.

4. The Liodakis Ranch objects that the January 2010 application is incomplete and inaccurate because it fails to include necessary and accurate information regarding impacts to the environment, impacts to land use to neighboring property such as the Liodakis Ranch, affects on rights of way, and other surface rights and obligations. For example, the application now discusses only impacts on the northern side of the Winter Quarters even though the photos (see slides 23 through 28 in the application) show, in part, the property on both sides of the creek which includes the property of the Liodakis Ranch.

5. The Liodakis Ranch objects that the January 2010 application violates federal environmental law including the Clean Water Act and other laws and regulation affecting coal mines. Due to the recent discovery (last week) by Liodakis Ranch of the significant and drastic changes in the application submitted by the mine, the Liodakis Ranch reserves the right to supplement this objection and add other objections as necessary as it reviews the application.

6. The Liodakis Ranch objects that the January 2010 application ignores or misrepresents issues concerning the historical values of the Winter Quarters ghost town, its eligibility for the National Historic Register and the related desires of landowners. Due to changes in the application as described in part in this letter, Liodakis Ranch takes strong exception to the process of review and the claims in the application. Liodakis Ranch has had discussions with Utah state officials regarding its land that includes some of the Winter Quarters ruins and is interested in protecting

historical and cultural values from harm by the proposed facility or mitigating its effects on Liodakis Ranch property rights and interests.

Based on the foregoing, the Liodakis Ranch requests that the application be denied, or temporarily denied pending more review to address these objections. If the application is not denied, the Liodakis Ranch requests an opportunity to appeal.

Very truly yours,

/s/ Lawrence D. Buhler
Lawrence D. Buhler

cc: George Liodakis
cc: Daron Haddock darronhaddock@utah.gov
cc: Jim Smith jimsmith@utah.gov

Certificate of Service

I HEREBY CERTIFY that on this 17th day of February, 2010, I caused a true and correct copy of the foregoing letter, dated February 17, 2010, addressed to the DIVISION OF OIL, GAS AND MINING, RE: APPLICATIONS FOR COAL PERMIT RECEIVED BY DOGM OCT 22, 2009 AND JAN 11, 2010, to be emailed to the following:

Darron Haddock
darronhaddock@utah.gov

Jim Smith
jimdsmith@utah.gov

Department of Natural Resources, Division of Oil, Gas and Mining (Coal Permits)
ogmcoal@utah.gov

Is Elizabeth Wright
Elizabeth Wright
elizabethwright7@gmail.com
Paralegal

Certificate of Service

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Department of Natural Resources
Division of Oil, Gas and Mining (Coal Permits)
1594 West North Temple, Suite 1210
Salt lake City, Utah 84116

/s Elizabeth Wright

Elizabeth Wright
Paralegal