

2



Canyon Fuel Company, LLC. Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Incoming
C0070005
3549
R

cc: Daron

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

July 8, 2010

Mr. Daron R. Haddock
Division of Oil, Gas, and Mining
1594 West North Temple
Salt Lake City, Utah 84114-5801

RE: Supplemental Information for Task ID #3504, Winter Quarters Ventilation Facility (WQVF), Canyon Fuel Company, LLC, Skyline Mine, C/007/005,

Dear Daron:

Attached to this letter is pertinent information in response to the Technical Analysis for Winter Quarters Ventilation Facility, Task #3504 dated May 17, 2010. The information addresses items 2. and 3. identified in the May 17, 2010 Deficiency List. The other four (4) deficiency items were addressed in supplemental information submitted June 3, 2010. For technical review convenience, a Deficiency Response document is attached. This document cites the regulation listed in the 'Summary of Permit Deficiencies' from Task #3504, summarizes how the deficiency has been addressed, and specifies the location (M&RP section and page) of the modification. In addition, an Assistant Secretary's Certificate which identifies Ark Land as wholly owned subsidiary of Arch Coal Inc. has been included by request by Ms. Angela Nance.

Also attached to this letter, intended for distribution is an executed copy of the Memorandum of Understanding (MOU) between Canyon Fuel Company, LLC – Skyline Mine, Utah Division of Oil, Gas, & Mining (DOG M) and Utah State Historical Preservation Office (SHPO). Signatures of DOGM and SHPO representative will need to be provided.

Attached to this cover letter are completed C1 and C2 forms, three (3) copies of redline/strikeout text of the M&RP modified information, numerous plates and engineering report, and one (1) Compact Disc (CD) containing the complete submittal package. One copy of the submittal was delivered directly to the Price Field Office.

If you have any questions regarding this information, please give me a call at (435) 448-2636.

Sincerely:

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

Enclosures

RECEIVED
JUL 08 2010
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: Winter Quarters Ventilation Facility

Description, Include reason for application and timing required to implement:

Supplemental Information for Task #3504.

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: 7.93 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 three (3) review copies of the application. (This number includes 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.

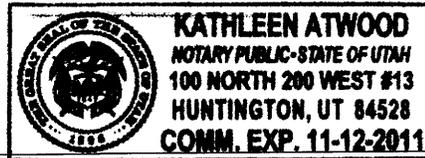
Nesley K Sorensen
Print Name

Nesley K Sorensen
Sign Name, Position, Date
General Manager 7/7/10

Subscribed and sworn to before me this 7th day of July, 2010

Kathleen Atwood
Notary Public

My commission Expires: 11-12, 2011
Attest: State of Utah } ss:
County of Carbon



For Office Use Only:

Assigned Tracking Number:

Received by Oil, Gas & Mining

RECEIVED

JUL 08 2010

DIV. OF OIL, GAS & MINING

**MEMORANDUM OF UNDERTSANDING
BETWEEN
CANYON FUEL COMPANY, LLC – SKYLINE MINE,
UTAH DIVISION OF OIL, GAS, & MINING (DOGM)
AND
UTAH STATE HISTORICAL PRESERVATION OFFICE (SHPO)**

This MEMORANDUM OF UNDERTSANDING (MOU) is hereby made and entered into by and between Canyon Fuel Company, LLC – Skyline Mine (Skyline Mine), hereinafter referred to as Skyline Mine, The Utah Division of Oil, Gas and Mining (DOGM), hereinafter referred to as DOGM, and Utah State Historic Preservation Office, hereinafter referred to as SHPO.

PURPOSE:

On March 23, 2010 The Utah State Historic Preservation Office (SHPO) concurred with the Utah Division of Oil, Gas and Mining (DOGM) determination of an adverse effect to 42CB268, the Winter Quarters Townsite in accordance with Utah Code 9-8-404

In accordance with Utah Code 9-8-404 DOGM has determined that production of a booklet, detailed below, would mitigate adverse effects to 42CB2678. The SHPO also concurred with this determination.

STATEMENT OF MUTUAL BENEFIT AND INTERESTS:

The proposed mitigation satisfies the requirements set forth by Utah Code 9-8-404. Skyline Mine may proceed with the aforementioned project while satisfying the requirements set forth by State regulations.

CANYON FUEL COMPANY, LLC – SKYLINE MINE SHALL:

Be responsible for the compilation of information from previously collected data regarding the history of the Winter Quarters Mine and Townsite. The information to be used in the mitigation booklet will be derived from previously published sources and other information on file with State History and other readily available sources. The booklet shall be published in accordance with the following general guidelines:

- The proposed booklet is expected to contain 12-20 pages of material.
- The proposed booklet will primarily contain photographs and limited text that will provide an introduction to the site and is not designed as an authoritative text to the history of the site.
- Information for the booklet will be gathered from previously documented, readily available information on file with State History, State Archives, and other public sources.
- Skyline will publish 1,000 copies of the booklet for distribution to the following entities;
 - o Department of Natural Resources Library (Salt Lake Utah)
 - o Western Mining and Railroad Museum (Helper, Utah)
 - o And possibly the local convenience store in Scofield, Utah
- The total expenditure for the project (including publication costs) will not exceed \$10,000.00.

DOGM SHALL:

Approve the aforementioned mitigation for final approval of the cultural resources portion of the Skyline Mine Permit to develop a vent shaft location within Winter Quarters Canyon and assist all parties in carrying out the objectives of this MOU.

SHPO SHALL:

SHPO shall be responsible to provide guidance and approval of collected materials for the final publication of the aforementioned booklet. SHPO shall provide any and all information from State Archives that may assist the appointee with information sufficient to produce said booklet.

IT IS MUTUALLY UNDERSTOOD AND AGREED BY AND TO THE PARTIES THAT:

1. This instrument in no way restricts any of the parties from participating in similar activities with any public or private agencies, organizations, corporations, or individuals.
2. This MOU takes effect upon the signature of all parties and shall remain in effect for 18 months from the date of execution. This MOU may be extended or amended upon written request and subsequent concurrence by all parties.
3. Upon signing this MOU, it is understood that proper mitigation of any adverse effects has been developed and will be conducted simultaneously with the proposed project development.
4. Each agreeing party will utilize their own resources in pursuing the objectives of the MOU. Each party will carry out the objectives outlined above in a separate but mutually beneficial manner.

The parties hereto have executed this agreement:

Canyon Fuel Company, LLC – Skyline Mine


Wesley K. Sorensen, General Manager

7/8/10
(Date)

Utah Division of Oil, Gas and Mining

John Baza, Director

(Date)

Utah State Historic Preservation Office

Wilson Martin, State Historic Preservation Officer

(Date)

**SUPPLEMENTAL INFORMATION
TASK #3504**

The following is intended to serve as a guide for the technical reviewer to help identify how deficiencies identified in Task #3504 were addressed. The regulation and deficiency identified in Task #3504 is followed with an italicized response.

2. **(R645-301-114.100)** Prior to final approval, please provide the date of execution of the deed from the Allred Family Trust to Ark Land Company.

An executed copy of the Easement is supplied. Primarily, Exhibit 1 and Exhibit 2 identify Right-of-Entry. Information located in Chapter 1, Section 114 – Right-of-Entry Information (page 1-34) has been modified to better reflect the Allred Family Trust lease to Ark Land Company, and the association between Ark Land and Canyon Fuel Company, LLC. An Assistant Secretary's Certificate, for Ark Land has also been submitted to Appendix 118-A of the M&RP, which identifies Ark Land as a wholly owned subsidiary of Arch Coal Inc.

3. **(R645-301-115.100)** Prior to final approval, please submit a copy of the approval recommendation from the Carbon County Planning Commission granting a Conditional Use Permit to construct and operate a ventilation facility in Winter Quarter's Canyon.

A copy of the Conditional Use Permit is attached. In addition, a letter from Scofield Town identifies Right-of-Entry from S.R. 96 to the Allred property line.

One (1) executed copy of the Memorandum of Understanding (MOU) between Canyon Fuel Company, LLC – Skyline Mine, Utah Division of Oil, Gas, & Mining (DOGM) and Utah State Historical Preservation Office (SHPO) has also been provided although it was not identified on the #3504 Deficiency List. It is attached to the original cover letter and C1/C2 forms and is not included in the review copies of the application. Signatures of DOGM and SHPO representative will need to be provided.

- (2) On August 3, 1978, Energy Fuels Corporation conveyed its exclusive and perpetual easement to Coastal States Energy Company (and now Canyon Fuel Company, LLC) for the purpose of constructing and maintaining a temporary coal storage and loading facility. The easement had been initially granted by Leon J. Nicolaides, et al., to Kanawha and Hocking Coal and Coke Company, Energy Fuels Corporation's predecessor in title.
- (3) A Lease Agreement dated June 10, 1982 between Fotini Telonis, et al, and the Permittee grants the Permittee the right to use a 27.83 acre parcel located near Scofield, Utah, as a waste rock disposal site. The lease was amended both in August 2006 and March 2007 to increase the parcel to approximately 37.48 acres. See Appendix A in Section 3.2 for lease.
- (4) A Quitclaim Deed dated May 24, 1991, from Kanawha and Hocking Coal and Coke Company to Coastal States Energy Company (and now Canyon Fuel Company, LLC) which deed conveyed to Coastal 42.57 acres of surface lands located in the S1/2SE1/4 of Section 17, T.13S., R.7E., SLB&M.
- (5) A lease dated June 9, 2010, between the D. Euray Allred Family Trust and Ark Land Company, grants the use of approximately 12.7 acres of surface lands to Ark Land Company, located in the N1/2 of Section 1, T.13S., R.6E., SLB&M,. Both Ark Land Company and Canyon Fuel Company are wholly owned subsidiaries of Arch Coal, Inc. Ark Land Company in turn will conduct an inter-company perpetual and exclusive lease with Canyon Fuel Company, LLC. - Skyline Mine. The parcel is located in Winter Quarters Canyon approximately two (2) miles west of Scofield, Utah, as the Winter Quarters Ventilation Facility (WQVF). Additionally, the lease identifies "Easement Lands" which grants use of the road accessing the leased acres. See Appendix 118-A, Volume 1 of the M&RP for the easement.

Power Line Addition

A parcel of land in Section 25 and 36, Township 13 South, Range 6 East, Salt Lake Base & Meridian, Carbon and Emery Counties.

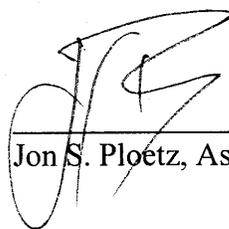
Commencing at the Section Corners of 25, 25, 35, and 36, Township 13 South, Range 6 East, Salt Lake Base & Meridian, thence East along the North boundary of Section 36 for a distance of 500 feet, more or less, thence S20° 00' 00" W for a distance of 1,000 feet, more or less, herein called the point of beginning of the tract; thence N84° 20' 19" E a distance of 44.21 feet; thence N89° 08' 31" E a

ASSISTANT SECRETARY'S CERTIFICATE

ARCH COAL, INC.

I, Jon S. Ploetz, Assistant Secretary of Arch Coal, Inc., a Delaware Corporation (the "Company"), hereby certifies that Ark Land Company is a wholly owned subsidiary of the Company.

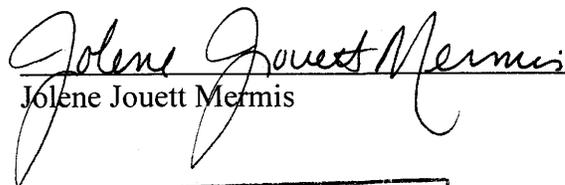
WITNESS my hand and seal of the Company this 28th day of June, 2010.



Jon S. Ploetz, Assistant Secretary

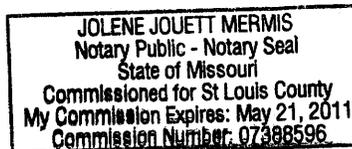
State of Missouri)
) ss
County of St. Louis)

Sworn and Subscribed to before me this 28th day of June, 2010.



Jolene Jouett Mermis

My Commission Expires: May 21,





**CONDITIONAL USE PERMIT
COUNTY OF CARBON
DEPARTMENT OF PLANNING**

THIS CERTIFICATE ISSUED AS PER SECTION 3.3.26, 3.3.31 AND 4.2.13
OF THE DEVELOPMENT CODE OF CARBON COUNTY TO:

**CANYON FUEL COMPANY, LLC-SKYLINE MINE
HCR 35, BOX 380
HELPER, UTAH 84526**

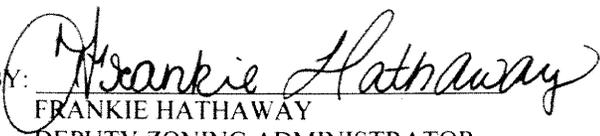
GRANTING A CONDITIONAL USE PERMIT TO CONSTRUCT A VENTILATION
FACILITY IN WINTER QUARTERS CANYON

DATED: July 7, 2010

EXACTIONS:

1. All State Division of Oil, Gas & Mining and Division of Water Quality permits must be in place prior to commencement of the project.
2. Easements and road accesses must be in place prior to commencement of the project, including a County Road Encroachment Permit for use of and impacts to the Winter Quarters Road
3. Maintain and clean drainage ways.

APPROVED BY:


FRANKIE HATHAWAY
DEPUTY ZONING ADMINISTRATOR

EASEMENT

THIS EASEMENT made as of June 9, 2010, is from the **D. Euray Allred Family Trust dated October 6, 1975**, by and through Phillip E. Allred and Naomi C. Bennion, as Trustees ("Grantor"), whose address is P.O. Box 96, Fountain Green, Utah 84632, to and in favor of **Ark Land Company** ("Grantee"), whose address is One CityPlace Drive, Suite 300, St. Louis, Missouri 63141.

WHEREAS, Grantor owns certain interests in the lands in Carbon County, Utah described on **Exhibit 1** ("Easement Lands"); and

WHEREAS, the Easement Lands contain a road commonly known as the "Winter Quarters Canyon Road" ("Road") which is used to access the Leased Premises described and depicted on **Exhibit 2** ("Leased Premises"); and

WHEREAS, pursuant to that certain Lease Agreement dated June 9, 2010 ("Lease Agreement") Grantee leased from Grantor certain interests; and

WHEREAS, Grantee desires to obtain an easement from Grantor over and across the Easement Lands for the purpose accessing the Leased Premises;

WHEREAS, the beneficiaries of the D. Euray Allred Family Trust dated October 6, 1975 have consented to this Easement below;

NOW, THEREFORE, Grantor hereby, to the extent it owns an interest, grants without warranty of title to Grantee a non-exclusive right of way easement over, under and across the Easement Lands for the purpose of using, maintaining and improving the existing Road and constructing, operating and maintaining power lines in connection with Grantee's use of the Leased Premises and as provided in the Lease Agreement.

1. This Easement shall be effective from the date first set forth above and shall remain in effect for so long as Grantee, its affiliates, successors or assigns are leasing the Leased Premises, after which time this Easement shall terminate.
2. All rights and benefits of Grantee under this Easement shall be for the benefit of Grantee and its affiliates, who shall have the right to exercise any and all rights of Grantee under this Easement.
3. The rights granted without warranty of title under this Easement shall run with and burden the Easement Lands. This Easement shall be binding upon and inure to the benefit of the parties hereto, and their respective distributees, devisees, successors and assigns, provided however, that any distribution, transfer or assignment of the Easement Lands shall be made expressly subject to this Easement and shall not operate as a waiver, release, amendment or modification of any term of this Easement.
4. Grantor hereby appoints Jeannine A. Sorensen, 1595 North 1400 West, Provo, Utah 84604, as its agent ("Agent") for the purpose of receiving notices for Grantor's benefit under the terms of this Easement. Delivery of notices to the Agent shall discharge Grantee.

absolutely with respect to notices required or permitted hereunder. The Agent shall be replaced as provided in Section 16 of the Lease Agreement.

5. All notices given in connection with this Easement shall be in writing and shall be deemed to have been duly given and delivered (i) on the date of delivery if personally delivered to the person identified below, (ii) three days after mailing if mailed by certified or registered mail, postage prepaid, return receipt requested, and (iii) one business day after delivery to any overnight express courier service as provided below. Any party may give notice in writing of any change of its address. The address provided in said notice will thereafter be deemed to be the address of the party for the giving of notice hereunder.

If to Grantor:

Jeannine A. Sorensen
1595 North 1400 West
Provo, Utah 84604
Telephone/Fax: (801) 377-4709

With copy to:

Phillip E. Allred
Trustee of the D. Euray Allred Family Trust
dated October 6, 1976,
P.O. Box 96
Fountain Green, UT 84632
Telephone/Fax: (435) 469-0155

And

Naomi C. Bennion
Trustee of the D. Euray Allred Family Trust
dated October 6, 1976
4494 South 4515 West
Salt Lake City, UT 84120
Telephone/Fax: (801) 967-6627

If to Grantee:

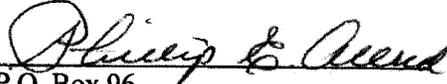
Ark Land Company
One CityPlace Drive, Suite 300
St. Louis, MO 63141
Telephone: (314) 994-2950
Fax: (314) 994-2940

With copy to:

Skyline Mine
Attn: Mine Manager
HC 35 Box 380
Helper, UT 84526
Telephone: (435) 448-2619
Fax: (435) 448-2632

6. This Easement may be executed in multiple counterparts which together shall be deemed to constitute one and the same document.

Phillip E. Allred, an individual


P.O. Box 96
Fountain Green, UT 84632
Telephone/Fax: (435) 469-0155

Naomi C. Bennion, an individual


4494 South 4515 West
Salt Lake City, UT 84120
Telephone/Fax: (801) 967-6627

Jeannine A. Sorensen, an individual

Address: 1595 North 1400 West
Provo, UT 84604
Telephone/Fax: (801) 377-4709

Bryan E. Allred, an individual

Address: P.O. Box 116
Fountain Green, UT 84632
Telephone/Fax: (435) 445-3528

Celes Erickson, an individual

Address: 908 East Spokane
Ellensburg, WA 98929
Telephone/Fax: (509) 925-3657

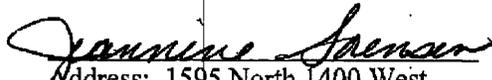
Phillip E. Allred, an individual

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Celes Erickson, an individual


Address: 908 East Spokane
Ellensburg, WA 98929
Telephone/Fax: (509) 925-3657

**Exhibit 1
to
Easement**

EASEMENT LANDS

A road easement consisting of a traveling road surface of 30 feet in width (15 feet on each side of the centerline of the existing road) together with so much additional contiguous land as is reasonably necessary to construct and operate the road beginning at the gate at the entrance to Grantor's property to the Leased Promises and insofar as the road covers and relates to portions of the following lands in Carbon County, Utah located north of the center line of Winter Quarters Canyon Creek:

Township 13 South, Range 6 East
Section 1: S/2NE/4

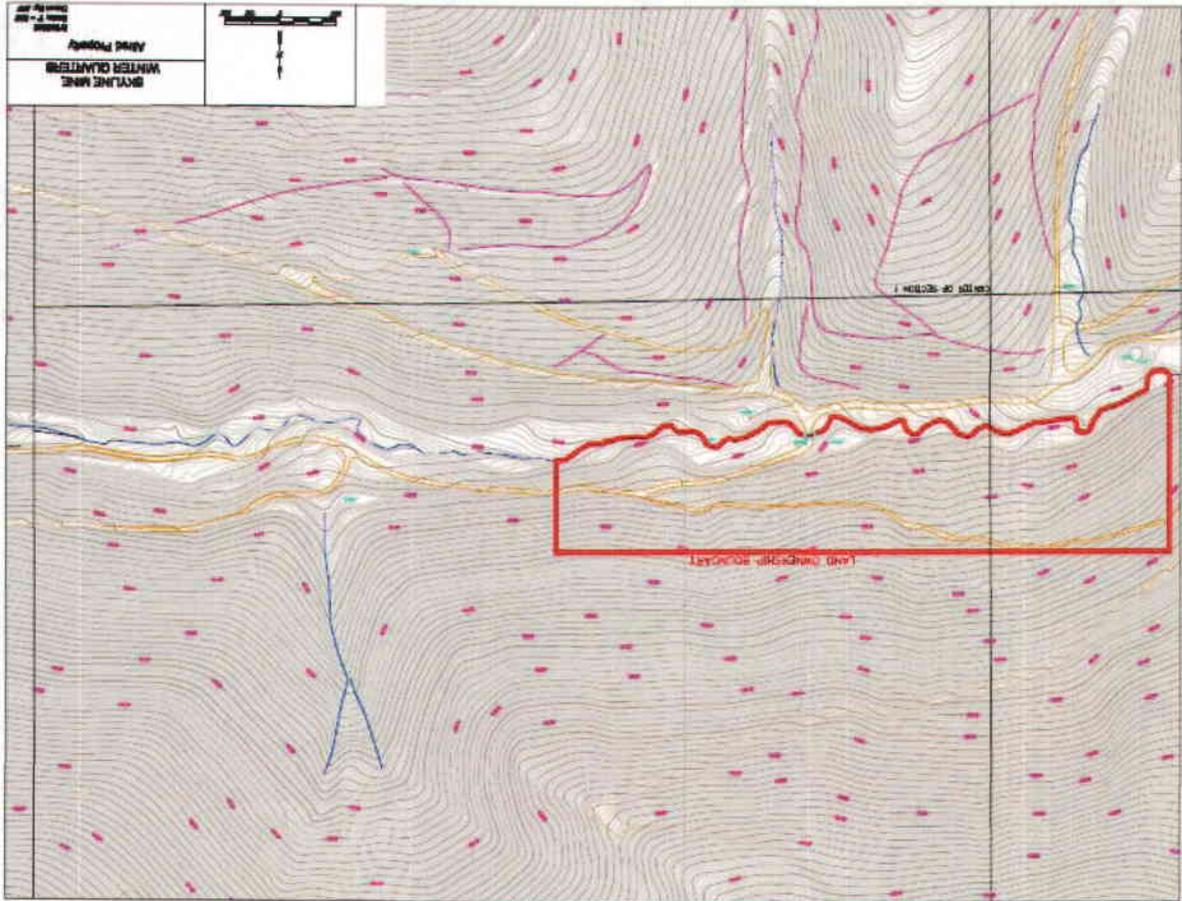
Township 13 South, Range 7 East
Section 6: S/2N/2

Excluding the Leased Premises, as defined in this Easement.

Exhibit 2
to
Easement

LEASED PREMISES

Beginning at a point located at the center line of Winter Quarters Canyon Creek which is 2,260 feet South and 1,402 feet West from the northeast corner of Section 1, Township 13 South, Range 6 East, Salt Lake Base & Meridian; thence North 246 feet; thence West 1,651 feet; thence South 475 feet to the center line of Winter Quarters Canyon Creek; thence Easterly approximately 1,664 feet along the center line of Winter Quarters Canyon Creek to the Point of Beginning; having an area of approximately 12.73 acres.



SCOFIELD TOWN

INCORPORATED MARCH 7, 1892

Carbon County, Utah



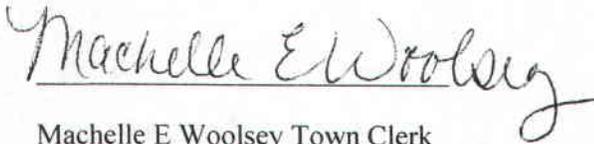
SCOFIELD ROUTE
BOX 700
HELPER, UTAH 84526
(801) 448-9221
FAX (801) 448-9207

June 17, 2010

To Whom It May Concern:

Front Street in the Town of Scofield is a town street beginning at Utah Highway 96 and extending westerly for approximately 3,500 feet to the Scofield town limit at the west section line of Section 5, Township 13 South, Range 7 East, SLBM. Front Street is a town road, hence it is a public road and the public is entitled to use it. Skyline Mine has full rights to use the full length of the street during the construction and operation of its Winter Quarters Canyon ventilation facility.

Sincerely



Machelle E Woolsey Town Clerk