C/007/0005 Fireproof
cc: Incoming
#3948

FEDERAL

April 30, 2012

PERMIT
C/007/0005

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5340

RECEIVED
APR 23 2012
DIV. OF OIL, GAS & MINING

This permit, C/007/0005, is issued for the state of Utah by the Utah Division of Oil, Gas and Mining (DOGM) to:

Canyon Fuel Company, LLC
225 North 5th Street, Suite 900
Grand Junction, Colorado 81501

for the Skyline Mine. Canyon Fuel Company, LLC is the lessee of federal, state and fee-owned property. A performance bond is filed with the DOGM in the amount of $5,137,000, payable to the state of Utah, Division of Oil, Gas and Mining and the Office of Surface Mining Reclamation and Enforcement (OSMRE). DOGM must receive a copy of this permit signed and dated by the permittee.

Sec. 1 STATUTES AND REGULATIONS - This permit is issued pursuant to the Utah Coal Mining and Reclamation Act of 1979, Utah Code Annotated (UCA) 40-10-1 et seq, hereafter referred to as the Act.

Sec. 2 PERMIT AREA - The permittee is authorized to conduct surface disturbing activities only as described in the approved Mining and Reclamation Plan and within areas covered by the Performance Bond which are within the described permit area at the Skyline Mine situated in the state of Utah, Carbon County, and located as follows:

Township 12 South, Range 7 East, SLBM
Section 32: Portion SE1/4SE1/4

Township 13 South, Range 6 East, SLBM
Section 1: Portions of S1/2NW1/4, S1/2NE1/4,
Section 13: Portions of S1/2S1/2,
Section 23: Portions of SE1/4NE1/4,
Section 24: Portions of NE1/4SW1/4,
Section 25: Portions of S1/2S1/2,
Section 35: Portions of NE1/4, S1/2,
Section 36: Portions of N1/2NW1/4

Township 13 South, Range 7 East, SLBM
Section 4: Portions of SW1/4NW1/4, NW1/4SW1/4,
Section 5: Portions of E1/2NE1/4,
Section 6: Portions of S1/2N1/2,
Section 17: Portions of S1/2S1/2,
Section 18: Portions of S1/2S1/2,
Section 19: Portions of N1/2N1/2

Township 14 South, Range 6 East, SLBM
Section 2: Portions of W1/2NW1/4,
Section 3: Portions of SE1/4NE1/4

This legal description is for the permit area of the Skyline Mine included in the mining and reclamation plan on file at the Division as shown on Drawing 1.6-3 Skyline Mines Permit Area.

Sec. 3 **AUTHORIZED MINING AREA** - The permittee is authorized to conduct underground coal mining and reclamation activities only as described in the approved Mining and Reclamation Plan and on lands where the "Right-of-Entry" has been acquired. This area includes the area above underground works and areas subject to subsidence and is described as follows:

Township 12 South, Range 6 East, SLBM
Section 25: SE1/4NE1/4, E1/2SE1/4,
Section 26: S1/2SE1/4, SE1/4SW1/4,
Section 34: Portions of S1/2N1/2, S1/2,
Section 35: All
Section 36: W1/2, N1/2NE1/4

Township 12 South, Range 7 East, SLBM
Section 30: SW1/4,
Section 31: NW1/4NW1/4,
Section 32: Portions of SE1/4SE1/4,

Township 13 South, Range 6 East, SLBM
Section 1: Portions of S1/2NE1/4, W1/2, W1/2SE1/4
Section 2: All,
Section 3: All,
Section 10: All,
Section 11: All,
Section 12: W1/2SW1/4, W1/2NW1/4, NE1/4NW1/4,
Section 13: W1/2, portions of S1/2SE1/4,
Section 14: All,
Section 15: All,
Section 22: All,

Section 23: All,
Section 24: W1/2, Portions of NE1/4,
Section 25: Portions of W1/2,
Section 26: All,
Section 27: All,
Section 34: All,
Section 35: All
Section 36: Portions of N1/2NW1/4

Township 13 South, Range 7 East, SLBM
Section 4: Portions of W1/2,
Section 5: Portions of NE1/4,
Section 17: Portions of S1/2S1/2
Section 18: Portions of S1/2S1/2
Section 19: Portions of N1/2NW1/4

Township 14 South, Range 6 East, SLBM
Section 2: All
Section 3: All

This legal description is for the authorized mining area of the Skyline Mine. The permittee is authorized to conduct coal mining and reclamation operations connected with mining on the foregoing described property subject to the conditions of the leases, the approved mining plan, including all conditions and all other applicable conditions, laws and regulations.

Sec. 4 COMPLIANCE - The permittee will comply with the terms and conditions of the permit, all applicable performance standards and requirements of the State Program.

Sec. 5 PERMIT TERM - This permit expires on April 30, 2017.

Sec. 6 ASSIGNMENT OF PERMIT RIGHTS - The permit rights may not be transferred, assigned or sold without the approval of the Director, DOGM. Transfer, assignment or sale of permit rights must be done in accordance with applicable regulations, including but not limited to 30 CFR 740.13(e) and R645-303.

Sec. 7 RIGHT OF ENTRY - The permittee shall allow the authorized representative of the DOGM, including but not limited to inspectors, and representatives of OSMRE, without advance notice or a search warrant, upon presentation of appropriate credentials, and without delay to:

A. have the rights of entry provided for in 30 CFR 840.12, R645-400-110, 30 CFR 842.13 and R645-400-220; and,

B. be accompanied by private persons for the purpose of conducting an inspection in accordance with R645-400-100 and 30 CFR 842, when the inspection is in response to an alleged violation reported by the private person.

Sec. 8 SCOPE OF OPERATIONS - The permittee shall conduct surface disturbing activities only on those lands specifically designated as within the permit area (in section 2 above) on the maps submitted in the mining and reclamation plan and permit application and approved for the term of the permit and which are subject to the performance bond. All coal mining and reclamation operations are to be conducted within the bounds of the authorized mining area.

Sec. 9 ENVIRONMENTAL IMPACTS - The permittee shall minimize any adverse impact to the environment or public health and safety through but not limited to:

A. accelerated monitoring to determine the nature and extent of noncompliance and the results of the noncompliance;

B. immediate implementation of measures necessary to comply; and

C. warning, as soon as possible after learning of such noncompliance, any person whose health and safety is in imminent danger due to the noncompliance.

Sec. 10 DISPOSAL OF POLLUTANTS - The permittee shall dispose of solids, sludge, filter backwash or pollutants in the course of treatment or control of waters or emissions to the air in the manner required by the approved Utah State Program and the Federal Lands Program which prevents violation of any applicable state or federal law.

Sec. 11 CONDUCT OF OPERATIONS - The permittee shall conduct its operations:

A. in accordance with the terms of the permit to prevent significant, imminent environmental harm to the health and safety of the public; and

B. utilizing methods specified as conditions of the permit by DOGM in approving alternative methods of compliance with the performance standards of the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 12 EXISTING STRUCTURES - As applicable, the permittee will comply with R645-301 and R645-302 for compliance, modification, or abandonment of existing structures.

Sec. 13 RECLAMATION FEE PAYMENT - The permittee shall pay all reclamation fees required by 30 CFR part 870 for coal produced under the permit, for sale, transfer or use.

Sec. 14 AUTHORIZED AGENT - The permittee shall provide the names, addresses and telephone numbers of persons responsible for operations under the permit to whom notices and orders are to be delivered.

Sec. 15 COMPLIANCE WITH OTHER LAWS - The permittee shall comply with the provisions of the Water Pollution Control Act (33 USC 1151 et seq,) and the Clean Air Act (42 USC 7401 et seq), UCA 26-11-1 et seq, and UCA 26-13-1 et seq.

Sec. 16 PERMIT RENEWAL - Upon expiration, this permit may be renewed for areas within the boundaries of the existing permit in accordance with the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 17 CULTURAL RESOURCES - If during the course of mining operations, previously unidentified cultural resources are discovered, the permittee shall ensure that the site(s) is not disturbed and shall notify DOGM. DOGM, after coordination with OSMRE, shall inform the permittee of necessary actions required. The permittee shall implement the mitigation measures required by DOGM within the time frame specified by DOGM.

Sec. 18 APPEALS - The permittee shall have the right to appeal as provided for under R645-300.

Sec. 19 SPECIAL CONDITIONS - There are special conditions associated with this permitting action attached as Attachment A.

The above conditions (Secs. 1-19) are also imposed upon the permittee's agents and employees. The failure or refusal of any of these persons to comply with these conditions shall be deemed a failure of the permittee to comply with the terms of this permit and the lease. The permittee shall require his agents, contractors and subcontractors involved in activities concerning this permit to include these conditions in the contracts between and among them. These conditions may be revised or amended, in writing, by the mutual consent of DOGM and the permittee at any time to adjust to changed conditions or to correct an oversight. DOGM may amend these conditions at any time without the consent of the permittee in order to make them consistent with any new federal or state statutes and any new regulations.

THE STATE OF UTAH

By: John R. Baza

Date: 4/4/2012

I certify that I have read, understand and accept the requirements of this permit and any special conditions attached.

Wesley K Sorensen

Authorized Representative of the Permittee

Date: 4/17/2012

ATTACHMENT A
Special Conditions
C/007/0005

1) Canyon Fuel Company, LLC must submit water quality data for the Skyline Mine in an electronic format through the Electronic Data Input web site, http://linux1.ogm.utah.gov/cgi-bin/appx-ogm.cgi

2) Canyon Fuel Company, LLC must submit cumulative monthly flow data for discharges into Electric Lake and Eccles Creek. This monthly data must be submitted in the first week of the following month.