Outgoing
C0070005
#3948
ok

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

GARY R. HERBERT
Governor

GREGORY S. BELL
Lieutenant Governor

April 4, 2012

Wess Sorenson, Mine Manager
Canyon Fuel Company, LLC
HC 35 Box 380
Helper, Utah 84526

Subject: Permit Renewal, Canyon Fuel Company, LLC, Skyline Mine, C/007/0005

Dear Mr. Sorenson:

The permit renewal for the Skyline Mine is approved, effective April 30, 2012. Enclosed is the State Decision Document for this Permit Renewal, which includes two (2) copies of the renewed permanent program permit for the Skyline Mine. Please read the permit to be sure you understand the requirements of the permit, then have both copies signed by the appropriate Canyon Fuel Company officer and return one to the Division.

If you have any questions, please call me.

Sincerely,

John R. Baza
Director

JRB/sqs
Enclosures
cc: Kenneth Walker, OSM
Price Field Office
O:\007005.SKY\PERMIT\2012\BazaLetter.doc

1594 West North Temple, Suite 1210, PO Box 145801, Salt Lake City, UT 84114 -5801
telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7458 • *www.ogm.utah.gov*

UTAH DNR OIL, GAS & MINING

UTAH DIVISION OF OIL, GAS AND MINING
STATE DECISION DOCUMENT
For
PERMIT RENEWAL

Canyon Fuel Company, LLC
Skyline Mine
C/007/0005
Carbon County, Utah

April 4, 2012

CONTENTS

* Administrative Overview
* Permitting Chronology
* Findings
* Affidavit of Publication
* AVS Recommendation
* Permit

ADMINISTRATIVE OVERVIEW

Canyon Fuel Company, LLC
Skyline Mine
C/007/0005
Carbon County, Utah

April 4, 2012

PROPOSAL

Canyon Fuel Company, LLC made application to the Division of Oil, Gas and Mining for a five year permit renewal for the Skyline Mine on October 26, 2011. The renewed permit will be comprised of the same permit area and disturbed area as presently permitted.

BACKGROUND

The Mining and Reclamation Plan (MRP) for the Skyline Mine was originally approved by the Office of Surface Mining Reclamation and Enforcement (OSMRE) on June 20, 1980. The Permittee was Coastal States Energy Company and the Operator was Utah Fuel Company. On July 20, 1984 a revised permit was issued which authorized the use of a waste rock disposal site near the town of Scofield. On March 28, 1985 the Division of Oil Gas and Mining (DOGM) and OSM determined that the permit would expire on April 30, 1987 five years from the date of initial operations, and notified the Operator accordingly. The Permittee submitted a timely application for permit renewal in 1986.

Due to numerous problems in formatting and technical issues associated with the original MRP, the mine operated under short-term permits from April 30, 1987 to December 1, 1989 when a renewal was issued. That renewed permit was scheduled to expire on April 30, 1992, ten years from the date of initial operations. On December 31, 1991 Coastal States Energy Company submitted another application for permit renewal which included an updated Mining and Reclamation Plan formatted to the new R614 (R645) regulations. The renewed permit for an additional 5-year period until April 30, 1997 was conditioned upon satisfactorily complying with a Division Order that required additional PHC information. The permit was transferred from Coastal States Energy Company to Canyon Fuel Company, LLC on December 20, 1996. The permit was again renewed through April 30, 2002.

A 28-acre IBC on fee land was approved on August 25, 2000. A fee lease to increase the permit area by 459 acres was approved on April 24, 2001.

The permit was renewed on April 30, 2002 with four conditions relating to water discharge issues as well as the condition for submittal of water monitoring electronically.

The significant amounts of water encountered in the mine prompted the mining company to move their mining efforts toward the North Lease. In order to access the North Lease, the company applied for an 84-acre Incidental Boundary Change on a fee lease, which was approved on August 16, 2002.

Canyon Fuel Company, LLC, submitted the permit application package for adding the North Lease (Winter Quarters) Tract to the Skyline Mine on September 4, 2002. Development mining in the North Lease received mining plan approval on December 20, 2002. Full extraction for this area received mining plan approved on February 24, 2006. The Cumulative Hydrologic Impact Assessment (CHIA) for the Skyline Mine was updated with that permitting action. On April 30, 2007 the permit was again renewed for an additional five years.

The Skyline mine plan area (including the North Lease) incorporates federal coal leases, one Carbon County coal lease and fee lease. The surface disturbed area includes disturbances (surface facilities) on Forest Service lands and private land (Unit Train Loadout and Waste Rock Disposal sites). The access to the Waste Rock Disposal Pit is a private road and is not scheduled for reclamation.

Canyon Fuel Company, LLC submitted an application to construct the Winter Quarters Ventilation Facility at the Skyline mine. This application was approved on July 29, 2010. A revised permit was issued to update the permit area and authorized mining area of the Skyline mine at the time of that permitting action. Because of a recent change in how the Division interprets the definition of permit area, Canyon Fuel Company also chose to revise its permit area during this action and the permit area now reflects the actual surface disturbed area, which is 121.97 acres. There are 11,943 acres in the authorized mining area. This is the same area that is now being proposed for renewal. The current permit expires on April 30, 2012.

RECOMMENDATION

Canyon Fuel Company, LLC has demonstrated that mining of the Skyline Mine can be done in conformance with the Surface Mining Control and Reclamation Act and the corresponding Utah Act and performance standards. Approval for permit renewal is recommended with two conditions:

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.

PERMITTING CHRONOLOGY

Canyon Fuel Company, LLC
Skyline Mine
C/007/0005
Carbon County, Utah

April 4, 2012

October 26, 2011	Canyon Fuel Company, LLC submits application for permit renewal.
November 2, 2011	Division notifies Canyon Fuel Company, LLC that the Skyline Mine permit renewal application is complete.
November 2, 2011	Division notifies other federal, state and local agencies about the Skyline permit renewal.
November 22 and 29 December 6 and 13, 2011	The Skyline permit renewal is published in the Sun Advocate and the Emery County Progress for four consecutive weeks.
January 13, 2012	End of public comment period and no comments received.
April 4, 2012	The Division approves the renewed permit effective April 30, 2012.

PERMIT RENEWAL FINDINGS

Canyon Fuel Company
Skyline Mine
C/007/0005
Carbon County, Utah

April 4, 2012

1. The permit renewal term will not exceed the original permit term of five years (R645-303-234).

2. The terms and conditions of the existing permit are being satisfactorily met (R645-303-233.110).

3. The present underground coal mining activities are in compliance with the environmental protection standards of the Act and the Utah State Program (R645-303-233.120).

4. The requested renewal will not substantially jeopardize the operator's continuing ability to comply with the Act and the Utah State Program (R645-303-233.130).

5. The permittee has provided evidence of having liability insurance (National Union Fire Ins Co Pittsburgh PA GL093-61-11)(R645-303-233.140).

6. The permittee has posted a reclamation surety in the required amount and has provided evidence that the surety will remain in full effect for the additional permit period (Surety issued by Agronaut Insurance Company, #SUR0000311, in the amount of $5,137,000. (R645-303-233.150)).

7. The permittee has submitted all updated information as required by the Division at this time. (R645-233.160).

Dave R. Haddock
Permit Supervisor

Associate Director, Mining

John R. Baza
Director

RECEIVED

MAR 15 2012

DIV. OF OIL, GAS & MINING

AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.

County of Emery,)

I, Richard Shaw, on oath, say that I am the Publisher of the Emery County Progress, a weekly newspaper of general circulation, published at Castle Dale, State of Utah and County aforesaid, and that a certain notice, a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and on the Utah legals.com webwsite; the first publication was on the 22nd day of November, 2011, and that the last publication of such notice was in the issue of such newspaper dated the 13th day of December, 2011.

Richard Shaw – Publisher

Subscribed and sworn to before me this 13th day of December 2011.

Notary Public My commission expires January 10, 2015 Residing at Price, Utah

Publication fee, $ 480.00

LINDA THAYN
NOTARY PUBLIC-STATE OF UTAH
COMMISSION# 604351
COMM. EXP. 01-10-2015

LEGAL NOTICE

Canyon Fuel Company, LLC, hereby announces its intent to renew its coal mining permit for the Skyline Mines under the laws of the State of Utah and the U.S. Office of Surface Mining. The currently approved mining permit is number C/007/0005.

Canyon Fuel Company, LLC operates the Skyline Mines with surface facilities located in Eccles Canyon which is approximately 4 miles southwest of the town of Scofield, Utah.

Underground coal mining will take place in coal reserves owned or leased by Canyon Fuel Company, LLC. No new leases or modifications to the permit are included with the current permit renewal. A description of the permit area follows:

Legal Description of Permit Area:

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

Total acres within the PERMIT AREA: 121.97

The address of the applicant is: Canyon Fuel Company, LLC
225 North 5th Street, Suite 900
Grand Junction, CO 81501

After filing, copies of this permit renewal application will be available for inspection at the following locations: Utah Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, Salt Lake City, Utah, and the Carbon County Courthouse, 120 East Main Street, Price, Utah.

Written comments or requests regarding this permit renewal must be made within 30 days of the last publication of this notice, and may be addressed to the Utah Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, Salt Lake City, Utah 84114-5801.

Published in the Emery County Progress November 22, 29, December 6, and 13, 2011.

RECEIVED
MAR 15 2012
DIV. OF OIL, GAS & MINING

AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.

County of Carbon,)

I, Richard Shaw, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State of Utah a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and on the Utah legals.com website, the first publication was on the 22nd day of November, 2011, and that the last publication of such notice was in the issue of such newspaper dated the 13th day of December 2011.

Richard Shaw – Publisher

Subscribed and sworn to before me this 13th day of December, 2011.

Notary Public My commission expires January 10, 2015 Residing at Price, Utah

Publication fee, $ 672.00

LINDA THAYN
NOTARY PUBLIC-STATE OF UTAH
COMMISSION# 604351
COMM. EXP. 01-10-2015

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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

Total acres within the PERMIT AREA: 121.97

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225 North 5th Street, Suite 900
Grand Junction, CO 81501

After filing, copies of this permit renewal application will be available for inspection at the following locations: Utah Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, Salt Lake City, Utah, and the Carbon County Courthouse, 120 East Main Street, Price, Utah.

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Published in the Sun Advocate November 22, 29, December 6, and 13, 2011.

GARY R. HERBERT
Governor

GREGORY S. BELL
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

April 4, 2012

To: File

From: Daron R. Haddock, Permit Supervisor

Subject: 510 (c) Recommendation for Canyon Fuel Company, LLC, Skyline Mine, C/007/0005

As of this writing of this memo, there are no NOVs or COs which are not corrected or in the process of being corrected for the Skyline Mine. There are no finalized civil penalties, which are outstanding and overdue in the name of Canyon Fuel Company, LLC. Canyon Fuel Company, LLC does not have a demonstrated pattern of willful violations, nor have they been subject to any bond forfeitures for any operation in the state of Utah.

Attached is a recommendation from the OSM Applicant Violator System for the Skyline Mine that states there are no outstanding violations.

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1594 West North Temple, Suite 1210, PO Box 145801, Salt Lake City, UT 84114 -5801
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UTAH DNR OIL, GAS & MINING

suzanne.steab (UT) |

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HOME > ENTITY EVALUATE

Evaluation on Permit Number: ACT007005 SEQ:6
0 Violations

Print Report

Permit Evaluation

Permit Number	ACT007005 SEQ:6
Permitee Name	142816 Canyon Fuel Company LLC
Date of Request	4/4/2012 11:53:54 AM
Requestor	suzanne.steab

CAUTION: The Applicant/Violator System (AVS) is an informational database. Permit eligibility determinations are made by the regulatory authority with jurisdiction over the permit application not by the AVS. Results which display outstanding violations may not include critical information about settlements or other conditions that affect permit eligibility. Consult the AVS Office at 800-643-9748 for verification of information prior to making decisions on these results.

There were no violations retrieved by the system

Evaluation OFT

Entities: 100

109255 Atlantic Richfield Co - ()
---061928 Mike R Bowlin - (Chairman of the Board)
---061928 Mike R Bowlin - (Chief Executive Officer)
---062210 Henry E Wendt - (Director)
---084987 Harrell L Bilhartz Jr - (Senior Vice President)
---086342 Marie L Knowles - (Chief Financial Officer)
---086342 Marie L Knowles - (Director)
---086342 Marie L Knowles - (Executive Vice President)
---113155 Lodwrick M Cook - (Director)
---113157 John Gavin - (Director)

---113158 Hanna H Gray - (Director)
---113175 William E Wade Jr - (Director)
---113175 William E Wade Jr - (Executive Vice President)
---113175 William E Wade Jr - (President)
---113180 Mark L Hazelwood - (Senior Vice President)
---113185 Patricia N Boinski - (Assistant Secretary)
---113186 Patrick J Brophy - (Assistant Secretary)
---113187 James R Coffee - (Assistant Secretary)
---113190 Thomas F Linn - (Assistant Secretary)
---113191 Ronald W Macdonald - (Assistant Secretary)
---113192 Richard C Morse - (Assistant Secretary)
---113194 Paul J Richmond - (Assistant Secretary)
---113195 Thomas C Roantree Iii - (Assistant Secretary)
---113199 Diane A Ward - (Assistant Secretary)
---113200 Bruce G Whitmore - (Secretary)
---113200 Bruce G Whitmore - (Senior Vice President)
---113202 Patrick J Ellingsworth - (Corporate Officer)
---113202 Patrick J Ellingsworth - (Vice President)
---113205 Allen C Holmes - (Vice President)
---120542 Anthony G Fernandes - (Director)
---120542 Anthony G Fernandes - (Executive Vice President)
---120546 Terry G Dallas - (Senior Vice President)
---120546 Terry G Dallas - (Treasurer)
---122949 Frank D Boren - (Director)
---122951 John B Slaughter - (Director)
---122952 Beverly L Hamilton - (Vice President)
---129866 Michael E Wiley - (Director)
---129866 Michael E Wiley - (Executive Vice President)
---129870 Robert E Mcmanus - (Corporate Officer)
---130259 Daniel J Rolf - (Assistant Secretary)
---131979 Allan L Comstock - (Controller)
---131979 Allan L Comstock - (Vice President)
---131980 John H Kelly - (Senior Vice President)
---131981 J Kenneth Thompson - (Executive Vice President)
---131981 J Kenneth Thompson - (Senior Vice President)
---135502 Stephen R Mut - (Senior Vice President)
---135505 Patricia B Fisher - (Assistant Secretary)
---135779 Kent Kresa - (Director)
---137568 George S Davis - (Assistant Treasurer)
---137580 David T Mclaughlin - (Director)
---137583 W Steven Jones - (Assistant Secretary)
---137584 John R Lucas Jr - (Assistant Secretary)
---137585 Stephen Molina - (Assistant Secretary)
---137586 Ronald C Redcay - (Assistant Secretary)
---142826 John B Cheatham - (Senior Vice President)
---142842 Robert M Pine - (Controller)
---142843 Ronald R Williams - (Corporate Officer)
---142844 E Larry Cantu - (Assistant Secretary)
---142845 Susan O Liebson - (Assistant Secretary)
---142846 David W Marquez - (Assistant Secretary)
---142847 Karen R Monroe - (Assistant Secretary)

---142848 Eric E Sigsbey - (Assistant Secretary)
---142849 Antoinette M Tadolini - (Assistant Secretary)
---144427 Barbara M Bartoletti - (Secretary)
---145261 Donald R Voelte - (Senior Vice President)
---145262 Robert L Healy - (Vice President)
---145263 Ian F Chate - (Assistant Secretary)
---145264 June I Rose - (Assistant Secretary)
---145595 Arch Western Resources Llc - (Subsidiary Company)
------127325 Robert G Jones - (Assistant Secretary)
------127325 Robert G Jones - (Vice President)
------129563 Charles David Steele - (Vice President)
------138467 Paul A Lang - (President)
------146381 James E Florczak - (Treasurer)
------146381 James E Florczak - (Vice President)
------155171 Jolene Jouett Mermis - (Assistant Secretary)
------155430 Arch Western Bituminous Group Llc - (Subsidiary Company)
---------129465 Eugene E Diclaudio - (Director)
---------129465 Eugene E Diclaudio - (Manager)
---------129465 Eugene E Diclaudio - (President)
---------129563 Charles David Steele - (Vice President)
---------133451 John W Eaves - (Director)
---------138467 Paul A Lang - (Director)
---------142816 Canyon Fuel Company LLC - (Subsidiary Company)
----------113124 David N Warnecke - (Vice President)
----------129465 Eugene E Diclaudio - (Director)
----------129465 Eugene E Diclaudio - (President)
----------129563 Charles David Steele - (Vice President)
----------133451 John W Eaves - (Director)
----------138467 Paul A Lang - (Director)
----------146381 James E Florczak - (Treasurer)
----------146381 James E Florczak - (Vice President)
----------155171 Jolene Jouett Mermis - (Assistant Secretary)
----------250063 Jon S Ploetz - (Secretary)
---------146381 James E Florczak - (Treasurer)
---------146381 James E Florczak - (Vice President)
---------155171 Jolene Jouett Mermis - (Assistant Secretary)
---------250063 Jon S Ploetz - (Secretary)
------158835 Patricia A Will - (Assistant Treasurer)
------247567 John T Drexler - (Vice President)
------250063 Jon S Ploetz - (Secretary)
---145597 Mark J Friedman - (Assistant Secretary)
---145601 Gary L Tooker - (Director)
---145602 Denise L Ramos - (Assistant Treasurer)
---145603 Donald A Davis - (Vice President)
---145604 Roger E Truitt - (Senior Vice President)
---145605 Dodd W De Camp - (Vice President)
---145616 John M Slater - (Senior Vice President)
144492 Arch Coal Inc - ()
---044179 Clarence Henry Besten Jr - (Senior Vice President)
---113124 David N Warnecke - (Senior Vice President)
---119588 James Robert Boyd - (Director)

---125225 Steven F Leer - (Chairman of the Board)
---125225 Steven F Leer - (Chief Executive Officer)
---125225 Steven F Leer - (Director)
---127325 Robert G Jones - (General Counsel)
---127325 Robert G Jones - (Secretary)
---127325 Robert G Jones - (Senior Vice President)
---129563 Charles David Steele - (Vice President)
---133451 John W Eaves - (Chief Operations Officer)
---133451 John W Eaves - (Director)
---133451 John W Eaves - (President)
---138362 Douglas H Hunt - (Director)
---138467 Paul A Lang - (Executive Vice President)
---139984 Peter I Wold - (Director)
---142816 Canyon Fuel Company LLC - (Subsidiary Company)
------113124 David N Warnecke - (Vice President)
------129465 Eugene E Diclaudio - (Director)
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------250063 Jon S Ploetz - (Secretary)
---145629 Arch Western Acquisition Corp - (Subsidiary Company)
------044179 Clarence Henry Besten Jr - (Director)
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------129563 Charles David Steele - (Vice President)
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----------129465 Eugene E Diclaudio - (Director)
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------247567 John T Drexler - (Vice President)
------250063 Jon S Ploetz - (Secretary)
---146381 James E Florczak - (Treasurer)
---146805 Michael A Perry - (Director)
---147242 Theodore D Sands - (Director)
---147387 John W Lorson - (Corporate Officer)
---147387 John W Lorson - (Vice President)
---147951 Robert G Potter - (Director)
---149037 Wesley M Taylor - (Director)
---150775 Deck S Slone - (Vice President)
---152524 Anthony S Bumbico - (Vice President)
---153333 Sheila B Feldman - (Vice President)
---155172 Patricia Fry Godley - (Director)
---158670 Brian J Jennings - (Director)
---247567 John T Drexler - (Chief Financial Officer)
---247567 John T Drexler - (Senior Vice President)
---249046 Casey Warner - (Corporate Officer)
---249451 David E Hartley - (Corporate Officer)
---249451 David E Hartley - (Vice President)
---250063 Jon S Ploetz - (Assistant Secretary)
---250063 Jon S Ploetz - (General Counsel)
---250498 J Thomas Jones - (Director)
---251559 David D Freudenthal - (Director)
---252345 Jeffrey W Strobel - (Vice President)
---252854 George C Morris III - (Director)

Narrative

Request Narrative

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

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.

_____

Authorized Representative of the Permittee

Date: _____

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.