Canyon Fuel Company, LLC
Skyline Mine
A Subsidiary of Bowie Resource Holdings, LLC

Corey Heaps
General Manager
HC35, Box 380
Helper, Utah 84526
(435) 448-2619
Fax (435) 448-2632

June 6, 2016

Daron Haddock
Coal Regulatory Program
Utah Division of Oil, Gas, and Mining
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114-5801

RE: Demonstration of abatement for Citation # 21182, Skyline Mine, Canyon Fuel Company, LLC, C/007/0005

Dear Mr. Haddock,

Abatement actions for Notice of Violation #21182 dated 5/27/2016 are described herein.

On May 18, 2016 at approximately 13:55 Skyline personnel observed discoloration in Eccles Creek. Pumps were shut off immediately. Pump trend records show that pumps were running at an increased flow which dislodged iron built up within pipes leading to Eccles Creek for no more than 10-12 minutes. Initial lab samples were collected at 14:20 on the 18th at sample ID "E. Creek S. Fork," which is the VC-6 permitted sampling site and corresponds with "VC-6" samples from later that day and the 19th. The Total Iron concentration for the May 18th, 14:20 sample was 3.11 mg/L and Total Suspended Solids (TSS) was 45 mg/L. A follow up sample was collected at this same location at 20:00 on the 18th, and contained a Total Iron concentration of 0.78 mg/L and 23 mg/L of TSS. A sample collected at "VC-6" at 11:00 on May 19th, contained a Total Iron concentration of 0.59 mg/L and 21 mg/L of TSS. A sample collected upstream of the mine (CS-11) on May 18th contained 0.73 mg/L of Total Iron and 39 mg/L of TSS. The discolored discharge began to clear up through a combination of the mine water discharge pumps being shut off and typical seasonal flow in Eccles Creek. (Lab reports of water sampling are attached for reference)

Per requirements of Skyline Mine's Utah Pollution Discharge Elimination System (UPDES) permit #UT002345, the Division of Water Quality was verbally notified of the exceedance event within 24 hours. This was followed up, per permit requirements, by a written Notice of Noncompliance report on 5/23/2016 (report attached for reference).

As indicated by sampling data, and the attached Notice of Noncompliance, the iron containing discharge was fully abated within hours of the initial event, at the latest by 20:00 on the 18th. TSS limits of the UPDES permit were never exceeded. Skyline

consulted Division of Wildlife Resources personnel, (Justin Hart, Fisheries Biologist), on June 1st. DWR inspected the creek on the 19th and found no fish mortality, and determined no additional mitigation was needed. Lisa Rinehart, DOGM Biologist, was consulted on June 1st and it was determined that no further mitigation was required. Policies regarding the increasing of flow from the mine have been clarified and implemented to prevent a similar issue from occurring in the future (see section 3.d of the Notice of Noncompliance).

Based on the information provided, and the required actions cited in Citation #21182, Skyline Mine has fulfilled the required abatement items. If you have any questions or if you require additional information, please contact me at (435) 448-2619, Craig Brown – Engineering Manager at (435) 448-2643, Gregg Galecki – Environmental Engineer at (435) 448-2636, or Jeremiah Armstrong – Environmental Engineer at (435) 448-2645.

Sincerely,

Corey Heaps

Corey Heaps
General Manager - Skyline Mine

CC: John Baza – Director
Dana Dean – Associate Director
Chris Hansen – Bowie Resources (email)
Craig Brown – CFC (email)
Karl Houskeeper – DOGM Inspector (email)

Attachments: Relevant SGS Water Quality Analysis Reports
5/23/2016 Notice of Noncompliance to Division of Water Quality

Analysis Report

June 01, 2016

CANYON FUEL SKYLINE MINES
HCR 35 BOX 380
ACCOUNTS PAYABLE
HELPER UT 84526

Client Sample ID:	E. CREEK S. FORK	Sample ID By:	Skyline Mine
Date Sampled:	May 18, 2016	Sample Taken At:	E. CREEK S. FORK
Date Received:	May 19, 2016	Sample Taken By:	GG
Product Description:	WATER	Time Sampled:	1420
		Time Received:	1420
		Mine:	21
		Field - pH:	8.81 pH
		Field - Conductivity:	814 umhos/cm
		Field - Temperature:	11 Deg. C

Comments: Dissolved Metals Field Filtered

SGS Minerals Sample ID: 782-1636561-004

TESTS	RESULT	UNIT	METHOD	REPORTING LIMIT	ANALYZED DATE	ANALYZED TIME	ANALYST
Hardness, mg equivalent CaCO3/L	237	mg/L	SM2340-B	1	2016-06-01	07:00:00	HF
Anions	7.67	meq/L	SM1030E	0	2016-06-01	07:00:00	HF
Balance	-0.29	%	SM1030E	-10	2016-06-01	07:00:00	HF
Cations	7.63	meq/L	SM1030E	0	2016-06-01	07:00:00	HF
Oil and Grease, (HEM)	<5	mg/L	EPA 1664A	5	2016-05-24	09:00:00	MS
Alkalinity, mg CaCO3/L (pH 4.5)	233	mg/L	SM2320-B	5	2016-05-31	14:00:00	MS
Bicarbonate Alkalinity as CaCO3	233	mg/L	SM2320-B	5	2016-05-31	14:00:00	MS
Carbonate Alkalinity as CaCO3	<5	mg/L	SM2320-B	5	2016-05-31	14:00:00	MS
Total Dissolved Solids	466	mg/L	SM2540-C	30	2016-05-25	13:00:00	MS
Total Suspended Solids	45	mg/L	SM2540-D	5	2016-05-25	13:00:00	MS
Nitrate + Nitrite as Nitrogen	1.33	mg/L	EPA 300.0	0.05	2016-05-26	17:50:00	HF
Chloride, Cl	15	mg/L	EPA 300.0	1	2016-05-26	17:50:00	HF
Sulfate, SO4	124	mg/L	EPA 300.0	1	2016-05-26	17:50:00	HF
Phosphorus, Total	<0.05	mg/L	SM4500-P E	0.05	2016-05-20	09:00:00	HF
METALS BY ICP							
Calcium, Ca - Dissolved	55.93	mg/L	EPA 200.7	0.03	2016-05-19	12:15:00	HF
Iron, Fe - Total	3.11	mg/L	EPA 200.7	0.05	2016-05-20	12:12:05	HF
Iron, Fe - Dissolved	<0.03	mg/L	EPA 200.7	0.03	2016-05-19	12:15:00	HF
Magnesium, Mg - Dissolved	23.68	mg/L	EPA 200.7	0.01	2016-05-19	12:15:00	HF
Manganese, Mn - Total	0.038	mg/L	EPA 200.7	0.002	2016-05-20	12:12:05	HF

Lab Supervisor

Domenic Ibanez
Lab Supervisor

SGS North America Inc. | Minerals Services Division
2035 North Airport Road Huntington UT 84528 t (435) 653-2311 f (435)-653-2436 www.sgs.com/minerals

Member of the SGS Group (Société Générale de Surveillance)

This document is issued by the Company under its General Conditions of Service accessible at http://www.sgs.com/terms_and_conditions.htm. Attention is drawn to the limitation of liability, indemnification and jurisdiction issues defined therein.

Any holder of this document is advised that information contained hereon reflects the Company's findings at the time of its intervention only and within the limits of Client's instructions, if any. The Company's sole responsibility is to its Client and this document does not exonerate parties to a transaction from exercising all their rights and obligations under the transaction documents. Any unauthorized alteration, forgery or falsification of the content or appearance of this document is unlawful and offenders may be prosecuted to the fullest extent of the law

SGS

Analysis Report

June 01, 2016

CANYON FUEL SKYLINE MINES
HCR 35 BOX 380
ACCOUNTS PAYABLE
HELPER UT 84526

Client Sample ID:	E. CREEK S. FORK	Sample ID By:	Skyline Mine
Date Sampled:	May 18, 2016	Sample Taken At:	E. CREEK S. FORK
Date Received:	May 19, 2016	Sample Taken By:	GG
Product Description:	WATER	Time Sampled:	1420
		Time Received:	1420
		Mine:	21
		Field - pH:	8.81 pH
		Field - Conductivity:	814 umhos/cm
		Field - Temperature:	11 Deg. C
Comments:	Dissolved Metals Field Filtered		

SGS Minerals Sample ID: 782-1636561-004

TESTS	RESULT	UNIT	METHOD	REPORTING LIMIT	ANALYZED DATE	ANALYZED TIME	ANALYST
METALS BY ICP (continued)							
Potassium, K - Dissolved	4.64	mg/L	EPA 200.7	0.14	2016-05-19	12:15:00	HF
Sodium, Na - Dissolved	63.76	mg/L	EPA 200.7	0.09	2016-05-19	12:15:00	HF

Lab Supervisor

Domenic Ibanez
Lab Supervisor

SGS North America Inc. | Minerals Services Division
2035 North Airport Road Huntington UT 84528 t (435) 653-2311 f (435)-653-2436 www.sgs.com/minerals

Member of the SGS Group (Société Générale de Surveillance)

This document is issued by the Company under its General Conditions of Service accessible at http://www.sgs.com/terms_and_conditions.htm. Attention is drawn to the limitation of liability, indemnification and jurisdiction issues defined therein.

Any holder of this document is advised that information contained hereon reflects the Company's findings at the time of its intervention only and within the limits of Client's instructions, if any. The Company's sole responsibility is to its Client and this document does not exonerate parties to a transaction from exercising all their rights and obligations under the transaction documents. Any unauthorized alteration, forgery or falsification of the content or appearance of this document is unlawful and offenders may be prosecuted to the fullest extent of the law

Analysis Report

June 01, 2016

CANYON FUEL SKYLINE MINES
HCR 35 BOX 380
ACCOUNTS PAYABLE
HELPER UT 84526

Client Sample ID:	CS-11	Sample ID By:	Skyline Mine
Date Sampled:	May 18, 2016	Sample Taken At:	CS-11
Date Received:	May 19, 2016	Sample Taken By:	GG
Product Description:	WATER	Time Sampled:	1830
		Time Received:	1420
		Mine:	21
		Site:	10
		Field - pH:	8.54 pH
		Field - Flow:	792.16 GPM
		Field - Conductivity:	432 umhos/cm
		Field - Temperature:	3.9 Deg. C

Comments: Dissolved Metals Field Filtered

SGS Minerals Sample ID: 782-1636561-001

TESTS	RESULT	UNIT	METHOD	REPORTING LIMIT	ANALYZED DATE	ANALYZED TIME	ANALYST
Hardness, mg equivalent CaCO3/L	165	mg/L	SM2340-B	1	2016-06-01	07:00:00	HF
Anions	4.10	meq/L	SM1030E	0	2016-06-01	07:00:00	HF
Balance	-1.35	%	SM1030E	-10	2016-06-01	07:00:00	HF
Cations	3.99	meq/L	SM1030E	0	2016-06-01	07:00:00	HF
Oil and Grease, (HEM)	<5	mg/L	EPA 1664A	5	2016-05-24	09:00:00	MS
Alkalinity, mg CaCO3/L (pH 4.5)	161	mg/L	SM2320-B	5	2016-05-31	14:00:00	MS
Bicarbonate Alkalinity as CaCO3	161	mg/L	SM2320-B	5	2016-05-31	14:00:00	MS
Carbonate Alkalinity as CaCO3	<5	mg/L	SM2320-B	5	2016-05-31	14:00:00	MS
Total Dissolved Solids	267	mg/L	SM2540-C	30	2016-05-25	13:00:00	MS
Total Suspended Solids	39	mg/L	SM2540-D	5	2016-05-25	13:00:00	MS
Nitrate + Nitrite as Nitrogen	2.74	mg/L	EPA 300.0	0.05	2016-05-26	17:50:00	HF
Chloride, Cl	22	mg/L	EPA 300.0	1	2016-05-26	17:50:00	HF
Sulfate, SO4	13	mg/L	EPA 300.0	1	2016-05-26	17:50:00	HF
Phosphorus, Total	<0.05	mg/L	SM4500-P E	0.05	2016-05-20	09:00:00	HF
METALS BY ICP							
Calcium, Ca - Dissolved	49.14	mg/L	EPA 200.7	0.03	2016-05-19	12:15:00	HF
Iron, Fe - Total	0.73	mg/L	EPA 200.7	0.05	2016-05-20	12:12:05	HF
Iron, Fe - Dissolved	0.08	mg/L	EPA 200.7	0.03	2016-05-19	12:15:00	HF

Lab Supervisor

Domenic Ibanez
Lab Supervisor

SGS North America Inc. | Minerals Services Division
2035 North Airport Road Huntington UT 84528 t (435) 653-2311 f (435)-653-2436 www.sgs.com/minerals

Member of the SGS Group (Société Générale de Surveillance)

This document is issued by the Company under its General Conditions of Service accessible at http://www.sgs.com/terms_and_conditions.htm Attention is drawn to the limitation of liability, indemnification and jurisdiction issues defined therein.

Any holder of this document is advised that information contained hereon reflects the Company's findings at the time of its intervention only and within the limits of Client's instructions, if any The Company's sole responsibility is to its Client and this document does not exonerate parties to a transaction from exercising all their rights and obligations under the transaction documents. Any unauthorized alteration, forgery or falsification of the content or appearance of this document is unlawful and offenders may be prosecuted to the fullest extent of the law

Analysis Report

June 01, 2016

CANYON FUEL SKYLINE MINES
HCR 35 BOX 380
ACCOUNTS PAYABLE
HELPER UT 84526

Client Sample ID:	CS-11	Sample ID By:	Skyline Mine
Date Sampled:	May 18, 2016	Sample Taken At:	CS-11
Date Received:	May 19, 2016	Sample Taken By:	GG
Product Description:	WATER	Time Sampled:	1830
		Time Received:	1420
		Mine:	21
		Site:	10
		Field - pH:	8.54 pH
		Field - Flow:	792.16 GPM
		Field - Conductivity:	432 umhos/cm
		Field - Temperature:	3.9 Deg. C

Comments: Dissolved Metals Field Filtered

SGS Minerals Sample ID: 782-1636561-001

TESTS	RESULT	UNIT	METHOD	REPORTING LIMIT	ANALYZED DATE	ANALYZED TIME	ANALYST
METALS BY ICP (continued)							
Magnesium, Mg - Dissolved	10.30	mg/L	EPA 200.7	0.01	2016-05-19	12:15:00	HF
Manganese, Mn - Total	0.045	mg/L	EPA 200.7	0.002	2016-05-20	12:12:05	HF
Potassium, K - Dissolved	0.93	mg/L	EPA 200.7	0.14	2016-05-19	12:15:00	HF
Sodium, Na - Dissolved	15.31	mg/L	EPA 200.7	0.09	2016-05-19	12:15:00	HF

Lab Supervisor

Domenic Ibanez
Lab Supervisor

SGS North America Inc. | Minerals Services Division
2035 North Airport Road Huntington UT 84528 t (435) 653-2311 f (435)-653-2436 www.sgs.com/minerals

Member of the SGS Group (Société Générale de Surveillance)

This document is issued by the Company under its General Conditions of Service accessible at http://www.sgs.com/terms_and_conditions.htm. Attention is drawn to the limitation of liability, indemnification and jurisdiction issues defined therein.

Any holder of this document is advised that information contained hereon reflects the Company's findings at the time of its intervention only and within the limits of Client's instructions, if any. The Company's sole responsibility is to its Client and this document does not exonerate parties to a transaction from exercising all their rights and obligations under the transaction documents. Any unauthorized alteration, forgery or falsification of the content or appearance of this document is unlawful and offenders may be prosecuted to the fullest extent of the law

Analysis Report

June 01, 2016

CANYON FUEL SKYLINE MINES
HCR 35 BOX 380
ACCOUNTS PAYABLE
HELPER UT 84526

Client Sample ID:	MUD CREEK UP FROM ECCLE	Sample ID By:	Skyline Mine
Date Sampled:	May 18, 2016	Sample Taken At:	MUD CREEK UP FROM ECCLES
Date Received:	May 19, 2016	Sample Taken By:	GG
Product Description:	WATER	Time Sampled:	1915
		Time Received:	1420
		Mine:	21
		Field - pH:	7.2 pH
		Field - Flow:	7776.8 GPM
		Field - Conductivity:	341 umhos/cm
		Field - Temperature:	7.2 Deg. C

Comments: Dissolved Metals Field Filtered

SGS Minerals Sample ID: 782-1636561-002

TESTS	RESULT	UNIT	METHOD	REPORTING LIMIT	ANALYZED DATE	ANALYZED TIME	ANALYST
Hardness, mg equivalent CaCO3/L	151	mg/L	SM2340-B	1	2016-06-01	07:00:00	HF
Anions	3.30	meq/L	SM1030E	0	2016-06-01	07:00:00	HF
Balance	-0.66	%	SM1030E	-10	2016-06-01	07:00:00	HF
Cations	3.26	meq/L	SM1030E	0	2016-06-01	07:00:00	HF
Alkalinity, mg CaCO3/L (pH 4.5)	140	mg/L	SM2320-B	5	2016-05-31	14:00:00	MS
Bicarbonate Alkalinity as CaCO3	140	mg/L	SM2320-B	5	2016-05-31	14:00:00	MS
Carbonate Alkalinity as CaCO3	<5	mg/L	SM2320-B	5	2016-05-31	14:00:00	MS
Total Dissolved Solids	211	mg/L	SM2540-C	30	2016-05-25	13:00:00	MS
Total Suspended Solids	533	mg/L	SM2540-D	5	2016-05-25	13:00:00	MS
Nitrate + Nitrite as Nitrogen	1.25	mg/L	EPA 300.0	0.05	2016-05-26	17:50:00	HF
Chloride, Cl	8	mg/L	EPA 300.0	1	2016-05-26	17:50:00	HF
Sulfate, SO4	14	mg/L	EPA 300.0	1	2016-05-26	17:50:00	HF
Phosphorus, Total	<0.05	mg/L	SM4500-P E	0.05	2016-05-20	09:00:00	HF
METALS BY ICP							
Calcium, Ca - Dissolved	42.98	mg/L	EPA 200.7	0.03	2016-05-19	12:15:00	HF
Iron, Fe - Total	3.95	mg/L	EPA 200.7	0.05	2016-05-20	12:12:05	HF
Iron, Fe - Dissolved	0.15	mg/L	EPA 200.7	0.03	2016-05-19	12:15:00	HF
Magnesium, Mg - Dissolved	10.55	mg/L	EPA 200.7	0.01	2016-05-19	12:15:00	HF
Manganese, Mn - Total	0.169	mg/L	EPA 200.7	0.002	2016-05-20	12:12:05	HF

Lab Supervisor

Domenic Ibanez
Lab Supervisor

SGS North America Inc. | Minerals Services Division
2035 North Airport Road Huntington UT 84528 t (435) 653-2311 f (435)-653-2436 www.sgs.com/minerals

Member of the SGS Group (Société Générale de Surveillance)

This document is issued by the Company under its General Conditions of Service accessible at http://www.sgs.com/terms_and_conditions.htm. Attention is drawn to the limitation of liability, indemnification and jurisdiction issues defined therein.

Any holder of this document is advised that information contained hereon reflects the Company's findings at the time of its intervention only and within the limits of Client's instructions, if any. The Company's sole responsibility is to its Client and this document does not exonerate parties to a transaction from exercising all their rights and obligations under the transaction documents. Any unauthorized alteration, forgery or falsification of the content or appearance of this document is unlawful and offenders may be prosecuted to the fullest extent of the law.

Analysis Report

June 01, 2016

CANYON FUEL SKYLINE MINES
HCR 35 BOX 380
ACCOUNTS PAYABLE
HELPER UT 84526

Client Sample ID:	MUD CREEK UP FROM ECCLE	Sample ID By:	Skyline Mine
Date Sampled:	May 18, 2016	Sample Taken At:	MUD CREEK UP FROM ECCLES
Date Received:	May 19, 2016	Sample Taken By:	GG
Product Description:	WATER	Time Sampled:	1915
		Time Received:	1420
		Mine:	21
		Field - pH:	7.2 pH
		Field - Flow:	7776.8 GPM
		Field - Conductivity:	341 umhos/cm
		Field - Temperature:	7.2 Deg. C

Comments: Dissolved Metals Field Filtered

SGS Minerals Sample ID: 782-1636561-002

TESTS	RESULT	UNIT	METHOD	REPORTING LIMIT	ANALYZED DATE	ANALYZED TIME	ANALYST
METALS BY ICP (continued)							
Potassium, K - Dissolved	1.03	mg/L	EPA 200.7	0.14	2016-05-19	12:15:00	HF
Sodium, Na - Dissolved	5.11	mg/L	EPA 200.7	0.09	2016-05-19	12:15:00	HF

Lab Supervisor

Domenic Ibanez
Lab Supervisor

SGS North America Inc. | Minerals Services Division
2035 North Airport Road Huntington UT 84528 t (435) 653-2311 f (435)-653-2436 www.sgs.com/minerals

Member of the SGS Group (Société Générale de Surveillance)

This document is issued by the Company under its General Conditions of Service accessible at http://www.sgs.com/terms_and_conditions.htm. Attention is drawn to the limitation of liability, indemnification and jurisdiction issues defined therein.

Any holder of this document is advised that information contained hereon reflects the Company's findings at the time of its intervention only and within the limits of Client's instructions, if any. The Company's sole responsibility is to its Client and this document does not exonerate parties to a transaction from exercising all their rights and obligations under the transaction documents. Any unauthorized alteration, forgery or falsification of the content or appearance of this document is unlawful and offenders may be prosecuted to the fullest extent of the law.

Analysis Report

June 01, 2016

CANYON FUEL SKYLINE MINES
HCR 35 BOX 380
ACCOUNTS PAYABLE
HELPER UT 84526

Client Sample ID:	VC-6	Sample ID By:	Skyline Mine
Date Sampled:	May 18, 2016	Sample Taken At:	VC-6
Date Received:	May 19, 2016	Sample Taken By:	GG
Product Description:	WATER	Time Sampled:	2000
		Time Received:	1420
		Mine:	21
		Site:	15
		Field - pH:	8.77 pH
		Field - Flow:	3208 GPM
		Field - Conductivity:	587 umhos/cm
		Field - Temperature:	10.1 Deg. C

Comments: Dissolved Metals Field Filtered

SGS Minerals Sample ID: 782-1636561-003

TESTS	RESULT	UNIT	METHOD	REPORTING LIMIT	ANALYZED DATE	ANALYZED TIME	ANALYST
Hardness, mg equivalent CaCO3/L	257	mg/L	SM2340-B	1	2016-06-01	07:00:00	HF
Anions	6.10	meq/L	SM1030E	0	2016-06-01	07:00:00	HF
Balance	0.13	%	SM1030E	-10	2016-06-01	07:00:00	HF
Cations	6.11	meq/L	SM1030E	0	2016-06-01	07:00:00	HF
Alkalinity, mg CaCO3/L (pH 4.5)	223	mg/L	SM2320-B	5	2016-05-31	14:00:00	MS
Bicarbonate Alkalinity as CaCO3	223	mg/L	SM2320-B	5	2016-05-31	14:00:00	MS
Carbonate Alkalinity as CaCO3	<5	mg/L	SM2320-B	5	2016-05-31	14:00:00	MS
Total Dissolved Solids	357	mg/L	SM2540-C	30	2016-05-25	13:00:00	MS
Total Suspended Solids	23	mg/L	SM2540-D	5	2016-05-25	13:00:00	MS
Nitrate + Nitrite as Nitrogen	3.02	mg/L	EPA 300.0	0.05	2016-05-26	17:50:00	HF
Chloride, Cl	17	mg/L	EPA 300.0	1	2016-05-26	17:50:00	HF
Sulfate, SO4	55	mg/L	EPA 300.0	1	2016-05-26	17:50:00	HF
Phosphorus, Total	<0.05	mg/L	SM4500-P E	0.05	2016-05-20	09:00:00	HF
METALS BY ICP							
Calcium, Ca - Dissolved	61.38	mg/L	EPA 200.7	0.03	2016-05-19	12:15:00	HF
Iron, Fe - Total	0.78	mg/L	EPA 200.7	0.05	2016-05-20	12:12:05	HF
Iron, Fe - Dissolved	<0.03	mg/L	EPA 200.7	0.03	2016-05-19	12:15:00	HF
Magnesium, Mg - Dissolved	25.26	mg/L	EPA 200.7	0.01	2016-05-19	12:15:00	HF

Lab Supervisor

Domenic Ibanez
Lab Supervisor

SGS North America Inc. | Minerals Services Division
2035 North Airport Road Huntington UT 84528 t (435) 653-2311 f (435)-653-2436 www.sgs.com/minerals

Member of the SGS Group (Société Générale de Surveillance)

This document is issued by the Company under its General Conditions of Service accessible at http://www.sgs.com/terms_and_conditions.htm. Attention is drawn to the limitation of liability, indemnification and jurisdiction issues defined therein.

Any holder of this document is advised that information contained hereon reflects the Company's findings at the time of its intervention only and within the limits of Client's instructions, if any. The Company's sole responsibility is to its Client and this document does not exonerate parties to a transaction from exercising all their rights and obligations under the transaction documents. Any unauthorized alteration, forgery or falsification of the content or appearance of this document is unlawful and offenders may be prosecuted to the fullest extent of the law

Analysis Report

June 01, 2016

CANYON FUEL SKYLINE MINES
HCR 35 BOX 380
ACCOUNTS PAYABLE
HELPER UT 84526

Client Sample ID:	VC-6	Sample ID By:	Skyline Mine
Date Sampled:	May 18, 2016	Sample Taken At:	VC-6
Date Received:	May 19, 2016	Sample Taken By:	GG
Product Description:	WATER	Time Sampled:	2000
		Time Received:	1420
		Mine:	21
		Site:	15
		Field - pH:	8.77 pH
		Field - Flow:	3208 GPM
		Field - Conductivity:	587 umhos/cm
		Field - Temperature:	10.1 Deg. C

Comments: Dissolved Metals Field Filtered

SGS Minerals Sample ID: 782-1636561-003

TESTS	RESULT	UNIT	METHOD	REPORTING LIMIT	ANALYZED DATE	ANALYZED TIME	ANALYST
METALS BY ICP (continued)							
Manganese, Mn - Total	0.030	mg/L	EPA 200.7	0.002	2016-05-20	12:12:05	HF
Potassium, K - Dissolved	3.88	mg/L	EPA 200.7	0.14	2016-05-19	12:15:00	HF
Sodium, Na - Dissolved	20.03	mg/L	EPA 200.7	0.09	2016-05-19	12:15:00	HF

Lab Supervisor

Domenic Ibanez
Lab Supervisor

SGS North America Inc. | Minerals Services Division
2035 North Airport Road Huntington UT 84528 t (435) 653-2311 f (435)-653-2436 www.sgs.com/minerals

Member of the SGS Group (Société Générale de Surveillance)

This document is issued by the Company under its General Conditions of Service accessible at http://www.sgs.com/terms_and_conditions.htm. Attention is drawn to the limitation of liability, indemnification and jurisdiction issues defined therein.

Any holder of this document is advised that information contained hereon reflects the Company's findings at the time of its intervention only and within the limits of Client's instructions, if any. The Company's sole responsibility is to its Client and this document does not exonerate parties to a transaction from exercising all their rights and obligations under the transaction documents. Any unauthorized alteration, forgery or falsification of the content or appearance of this document is unlawful and offenders may be prosecuted to the fullest extent of the law

Analysis Report

June 01, 2016

CANYON FUEL SKYLINE MINES
HCR 35 BOX 380
ACCOUNTS PAYABLE
HELPER UT 84526

Client Sample ID:	VC-6	Sample ID By:	Skyline Mine
Date Sampled:	May 19, 2016	Sample Taken At:	VC-6
Date Received:	May 19, 2016	Sample Taken By:	GG
Product Description:	WATER	Time Sampled:	1100
		Time Received:	1420
		Mine:	21
		Site:	15
		Field - pH:	8.86 pH
		Field - Flow:	1687 GPM
		Field - Conductivity:	595 umhos/cm

Comments: Dissolved Metals Field Filtered

SGS Minerals Sample ID: 782-1636561-005

TESTS	RESULT	UNIT	METHOD	REPORTING LIMIT	ANALYZED DATE	ANALYZED TIME	ANALYST
Hardness, mg equivalent CaCO3/L	226	mg/L	SM2340-B	1	2016-06-01	07:00:00	HF
Anions	5.23	meq/L	SM1030E	0	2016-06-01	07:00:00	HF
Balance	2.28	%	SM1030E	-10	2016-06-01	07:00:00	HF
Cations	5.47	meq/L	SM1030E	0	2016-06-01	07:00:00	HF
Oil and Grease, (HEM)	<5	mg/L	EPA 1664A	5	2016-05-24	09:00:00	MS
Alkalinity, mg CaCO3/L (pH 4.5)	192	mg/L	SM2320-B	5	2016-05-31	14:00:00	MS
Bicarbonate Alkalinity as CaCO3	192	mg/L	SM2320-B	5	2016-05-31	14:00:00	MS
Carbonate Alkalinity as CaCO3	<5	mg/L	SM2320-B	5	2016-05-31	14:00:00	MS
Total Dissolved Solids	322	mg/L	SM2540-C	30	2016-05-25	13:00:00	MS
Total Suspended Solids	21	mg/L	SM2540-D	5	2016-05-25	13:00:00	MS
Nitrate + Nitrite as Nitrogen	3.37	mg/L	EPA 300.0	0.05	2016-05-26	17:50:00	HF
Chloride, Cl	24	mg/L	EPA 300.0	1	2016-05-26	17:50:00	HF
Sulfate, SO4	34	mg/L	EPA 300.0	1	2016-05-26	17:50:00	HF
Phosphorus, Total	<0.05	mg/L	SM4500-P E	0.05	2016-05-20	09:00:00	HF
METALS BY ICP							
Calcium, Ca - Dissolved	56.55	mg/L	EPA 200.7	0.03	2016-05-19	12:15:00	HF
Iron, Fe - Total	0.59	mg/L	EPA 200.7	0.05	2016-05-20	12:12:05	HF
Iron, Fe - Dissolved	<0.03	mg/L	EPA 200.7	0.03	2016-05-19	12:15:00	HF
Magnesium, Mg - Dissolved	20.48	mg/L	EPA 200.7	0.01	2016-05-19	12:15:00	HF

Lab Supervisor

Domenic Ibanez
Lab Supervisor

SGS North America Inc. | Minerals Services Division
2035 North Airport Road Huntington UT 84528 t (435) 653-2311 f (435)-653-2436 www.sgs.com/minerals

Member of the SGS Group (Société Générale de Surveillance)

This document is issued by the Company under its General Conditions of Service accessible at http://www.sgs.com/terms_and_conditions.htm. Attention is drawn to the limitation of liability, indemnification and jurisdiction issues defined therein.

Any holder of this document is advised that information contained hereon reflects the Company's findings at the time of its intervention only and within the limits of Client's instructions, if any. The Company's sole responsibility is to its Client and this document does not exonerate parties to a transaction from exercising all their rights and obligations under the transaction documents. Any unauthorized alteration, forgery or falsification of the content or appearance of this document is unlawful and offenders may be prosecuted to the fullest extent of the law.

Analysis Report

June 01, 2016

CANYON FUEL SKYLINE MINES
HCR 35 BOX 380
ACCOUNTS PAYABLE
HELPER UT 84526

Client Sample ID:	VC-6	Sample ID By:	Skyline Mine
Date Sampled:	May 19, 2016	Sample Taken At:	VC-6
Date Received:	May 19, 2016	Sample Taken By:	GG
Product Description:	WATER	Time Sampled:	1100
		Time Received:	1420
		Mine:	21
		Site:	15
		Field - pH:	8.86 pH
		Field - Flow:	1687 GPM
		Field - Conductivity:	595 umhos/cm

Comments: Dissolved Metals Field Filtered

SGS Minerals Sample ID: 782-1636561-005

TESTS	RESULT	UNIT	METHOD	REPORTING LIMIT	ANALYZED DATE	ANALYZED TIME	ANALYST
METALS BY ICP (continued)							
Manganese, Mn - Total	0.041	mg/L	EPA 200.7	0.002	2016-05-20	12:12:05	HF
Potassium, K - Dissolved	3.08	mg/L	EPA 200.7	0.14	2016-05-19	12:15:00	HF
Sodium, Na - Dissolved	20.43	mg/L	EPA 200.7	0.09	2016-05-19	12:15:00	HF

Lab Supervisor

Domenic Ibanez
Lab Supervisor

SGS North America Inc. | Minerals Services Division
2035 North Airport Road Huntington UT 84528 t (435) 653-2311 f (435)-653-2436 www.sgs.com/minerals

Member of the SGS Group (Société Générale de Surveillance)

This document is issued by the Company under its General Conditions of Service accessible at http://www.sgs.com/terms_and_conditions.htm. Attention is drawn to the limitation of liability, indemnification and jurisdiction issues defined therein.

Any holder of this document is advised that information contained hereon reflects the Company's findings at the time of its intervention only and within the limits of Client's instructions, if any. The Company's sole responsibility is to its Client and this document does not exonerate parties to a transaction from exercising all their rights and obligations under the transaction documents. Any unauthorized alteration, forgery or falsification of the content or appearance of this document is unlawful and offenders may be prosecuted to the fullest extent of the law

Canyon Fuel Company, LLC
A Subsidiary of Bowie Resource Holdings, LLC

Skyline Mine
Gregg A. Galecki, Environmental Engineer
HC35, Box 380
Helper, Utah 84526
(435) 448-2636
Fax (435) 448-2632

May 23, 2016

Mr. Ken Hoffman, P.E.
Permits and Compliance Section
Department of Environmental Quality
Division of Water Quality
288 North 1460 West
Salt Lake City, Utah 84114-4870

RE: Notice of Noncompliance Report, Canyon Fuel Company, LLC., Skyline Mine, UPDES Permit UT0023540

Mr. Hoffman:

In follow up to our telephone conversation on May 18, 2016, the following is written documentation of the Noncompliance event that occurred at the Skyline Mine on May 18, 2016. The documentation follows Part II. I. 3. of the Skyline Mine Permit No. UT0023540.

3.a. Description of Noncompliance and its cause; a volume of mine water containing iron was discharged from Discharge Point UPDES 001 into Eccles Creek. The steel pipe carrying the water apparently contained some residual iron/rust that was not completely flushed out of the pipe prior to discharging. The total estimate of iron loading to the stream was calculated to be 0.48 pounds based on the estimated discharge volume and water quality lab analysis.

3.b.c.The period of noncompliance; on May 18, 2016, starting at approximately 13:45 and ending within 10 to 12 minutes. The water was discharging at approximately 1,550 gallons per minute. Personnel were stationed at the outfall and the discharge was turned off as soon as the water containing iron was observed. This was an isolated event.

3.d. Steps taken to prevent a reoccurrence of the noncompliance; an in-house investigation of the personnel involved in the incident was conducted within two days of the occurrence. The 'tap-root' investigation of the incident determined: 1) All pipe sections will be thoroughly cleaned/back-flushed prior to being put into service; 2) the discharge line/pipe will be tested in its entirety prior to discharging to the creek; 3) personnel will be positioned at the outfall during initial discharge; and 4) if water containing iron is observed, personnel manning the outfall will divert the water into the sediment pond while the water is in the process of being turned off.

3.e Steps taken to mitigate the adverse impacts during the noncompliance period; 1) Although tested prior to discharge, the flow was terminated as soon as the total iron was observed; 2) the approximate total discharge was calculated through the in-line flow meter and estimating the time of discharge between 10-12 minutes; 3) water quality samples of the discharge were collected as soon as possible (lab analysis indicated a total iron concentration of 3.11 mg/l); 4) photo documentation of the event were collected (see attached photos); 5) additional water quality samples were collected upstream and downstream of the outfall following the occurrence – both the same day and following days; and 6) visual observations of the creek, looking for signs of environmental impact were conducted daily for five (5) days following the discharge (no impacts were observed).

In addition, Utah Division of Oil, Gas, & Mining (UDOGM) personnel Dana Dean (Associate Director) and Daron Haddock (Program Manager) were contacted and informed of the

noncompliance within 24-hours of the event. Also within 24-hours of the occurrence, the site was visited by UDOGM inspector Karl Houskeeper and US Forest Service personnel Jeff Salow. The attached photos illustrate the during-and-after stream flows. The photo locations are approximately ½ mile downstream of the UPDES-001 Outfall. This location was chosen because it is the location where the initial water quality sample was collected. The water containing iron moved so quickly downstream, that within 20-minutes of the discharge being turned off, the water sample needed to be collected downstream of the Outfall to capture the event.

If you have any questions or require additional information, please contact me at (435) 448-2636, or Craig Brown – Engineering Manager at (435) 448-2643.

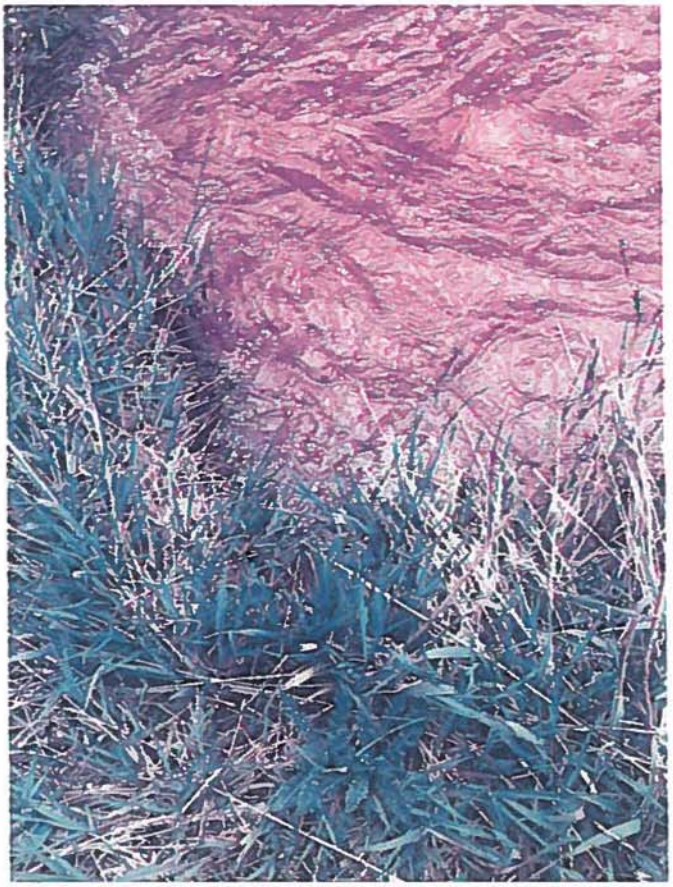
Sincerely:

Gregg A. Galecki

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

Attachments: photographs, water quality lab analysis

Cc: Corey Heaps – CFC (email)
Craig Brown – CFC (email)
Chris Hansen – CFC (email)
Kim Shelly – DWQ (email)



Eccles Creek @ water quality sample site ~ 20-mintes after sample was collected (5/18/16 @14:39)

Eccles Creek @ water quality sample site (5/19/16 @ 14:55) Note: water is slightly turbid due to recent rain and snow-melt events

Eccles Creek @ S. Fork; calm pool with residual iron approximately 1.5 hours after event (5/18/16 @ 15:22)

Eccles Creek @ S. Fork; same pool cleared of residual iron (5/19/16 @ 14:58) Note: water is slightly turbid due to recent rain and snow-melt events