



State of Utah

DEPARTMENT OF NATURAL RESOURCES

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Division of Oil, Gas and Mining

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January 3, 2016

Alan Boehms, Manager
Office of Surface Mining
Denver Field Branch
1999 Broadway, Suite 3320
Denver, CO 80202

Subject: Skyline Mine: Loughlin Water Associates Report- Flat Canyon Lease Addition, Canyon Fuel Company LLC, Task ID #5017, C/007/0005

Dear Mr. Boehms:

Our respective staff members are coming closer to completing their work on the Flat Canyon Lease Addition for the Skyline Mine. It is my understanding that Nicole Caveny has been working diligently to complete the supplemental Environmental Assessment (EA) for the Federal Mine Plan decision document. Concurrently, my staff has been focused on completing the SMCRA permitting work.

Several months ago, the Division of Oil, Gas and Mining (the Division) initiated a third party review of the proposed Flat Canyon Lease Addition. Loughlin Water Associates LLC (Loughlin) were selected to review historical ground and surface water assessments relative to alleged impacts to the Electric Lake Reservoir as a result of mining activity that occurred in the early 2000's as well as evaluate the proposed Flat Canyon water monitoring program. Your staff has received the Loughlin report entitled, '*Groundwater and Surface Water Hydrologic Review Skyline Mine- Flat Canyon Lease Addition, Federal Coal Lease Tract UTU-71144, Carbon and Emery Counties, Utah*' (Loughlin Report). Based on communication with your staff, it was agreed that the extent of revisions to the hydrology/hydrogeology sections of the Flat Canyon supplemental EA would be determined following the receipt and review of the Loughlin Report.

The Loughlin Report found no conclusive evidence that mining activity at the Skyline Mine had produced impacts to the Electric Lake Reservoir. However, the Loughlin Report identified several areas where the proposed ground and surface water monitoring for the Flat Canyon Lease Addition was deficient. Our review staff is currently in the process of resolving these outstanding water monitoring deficiencies in the permitting process.

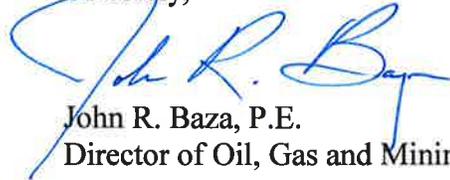
Based on the Division staff's review of the Loughlin Report, it is our feeling that the supplemental EA for the Flat Canyon Lease does not require significant revisions at this time relative to the hydrology and hydrogeology sections. The intent of this letter is



simply to convey this finding to you and your staff as discussed during the on-going semi-weekly conference calls.

If you or your staff have any questions, please feel free to contact me at (801) 538-5334 or Dana Dean at (801) 538-5320.

Sincerely,



John R. Baza, P.E.
Director of Oil, Gas and Mining

cc: Marcelo Calle (OSMRE-Denver)
Nicole Caveny (OSMRE)