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State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor
Ted Stewart
Executive Director
James W. Carter
Division Director

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3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340
801-359-3940 (Fax)
801-538-5319 (TDD)

December 20, 1996

David M. Arnolds
Canyon Fuel Company, LLC
555 Seventeenth Street
Denver, Colorado 80202

Re: Approval for Transfer of Permit, Soldier Creek Coal Company to Canyon Fuel Company, LLC, Soldier Canyon Mine, ACT/007/018-963, Folder #3, Carbon County, Utah

Dear Mr. Arnolds:

The Division has found that Canyon Fuel Company, LLC has met all requirements for a permit transfer as required under R645-303-300. Therefore, in accordance with the attached findings, the request for transfer of the permit for the Soldier Canyon Mine is hereby approved. The permit transfer will be effective upon the closing of the Purchase and Sale Agreement between The Coastal Corporation, Coastal Coal Company, Inc., Atlantic Richfield Company, and Itochu Corporation.

Since this transfer involves a new permittee, a revised permit is being issued which will be valid through the existing permit term (expires February 3, 1997). Two originals of the permit document are enclosed. Please sign them both, retaining one for your files, and return the other to the Division. Canyon Fuel Company, LLC will now be responsible for compliance with the terms and conditions of the existing permit including all existing commitments and obligations relating to the Soldier Canyon Mine transferred from Soldier Creek Coal Company.

You should now proceed to amend your Mining and Reclamation Plan (MRP) to reflect the changes. Appropriate replacement pages, including but not limited to the list of corporate officers, legal financial information, surface and coal ownership maps, lease ownership descriptions, and a variety of other pertinent information should all be updated and submitted for insertion to the MRP. Please submit 5 copies of the revised MRP information within 120 days, April 20, 1997, for distribution and processing. If you have any questions, please call Daron Haddock, Permit Supervisor at 539-5325.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "James W. Carter", written over the typed name and title.

James W. Carter
Director

blb
enclosures

cc: James Fulton OSM,
Clay Parr, Kimball Parr
Mary Ann Wright
D. Haddock

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FINDINGS

Canyon Fuel Company, LLC
Application for Permit Transfer
Soldier Canyon Mine
ACT/007/018

December 20, 1996

Upon closing of the Purchase and Sale Agreement between the Coastal Corporation, Coastal Coal Company, Inc., Atlantic Richfield Company, and Itochu Corporation, Canyon Fuel Company, LLC will be responsible to continue to conduct the operations involved in full compliance with the terms and conditions of the originally issued permit most recently renewed on February 3, 1992. Therefore, Finding of the original Decision Document and renewal Decision Document are still pertinent and satisfy the requirements of R645-300-133.

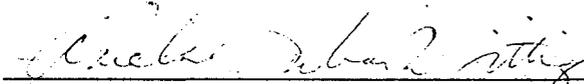
Canyon Fuel Company, LLC has submitted a replacement performance bond sufficient to cover reclamation costs in the permit area. After this permit transfer has been effected, Canyon Fuel Company, LLC will be responsible for the entire area which was under permit by Soldier Creek Coal Company and will assume all liability for compliance with terms and conditions of the Soldier Canyon Mine permit and any orders, stipulations or conditions associated with that permit.

The following findings specifically apply to the application for permit transfer.

1. DOGM's records and the results of a 510{c} clearance check, show that neither Coastal States Energy Company, Canyon Fuel Company, LLC or any of their affiliates control or have controlled coal mining and reclamation operations with a demonstrated pattern of willful violations of the Act of such nature and duration and with such resulting irreparable damage to the environment as to indicate an intent not to comply with the Act. At the present time, affiliates of the Coastal Corporation and affiliates of the Atlantic Richfield Company do control coal mining operations that have outstanding enforcement issues, however, all of the issues have been, or are in the process of being corrected through the appropriate legal process, as required by R645-300-132. (Coastal entities involved in outstanding forfeiture litigation will remain with Coastal and are not part of this transfer process.)
2. The State of Utah, DOGM has determined that the application for permit transfer is accurate and complete, and complies with the requirements of R645-300-133.100.
3. The applicant will have the legal right to enter and begin coal mining activities

at the Soldier Canyon Mine upon closing of the acquisition agreement between The Coastal Corporation, Coastal Coal Company, Inc., Atlantic Richfield Company, and Itochu Corporation to be executed December 20, 1996. (R645-300-133.300)

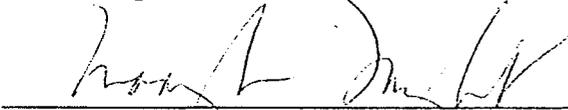
4. All affiliates of Coastal States Energy Company and of Canyon Fuel Company, LLC have paid all reclamation fees from previous and existing coal mining and reclamation operations as required by 30 CFR part 870. (R645-300-133.730)
5. Procedures for public participation have complied with requirements of the Act and the Utah State Program. Notice was published in the Sun Advocate on November 19, 1996 as required by R645-303-322. No comments were received.
6. The applicant has obtained a performance bond equivalent to the bonding requirements of the existing permit, in the amount of \$3,238,000. (R645-303-342)



Permit Coordinator



Permit Supervisor



Associate Director, Mining



Director



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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December 19, 1996

To: File

From: Pamela Grubaugh-Littig, Permit Coordinator *pgl*

Re: 510 (c) Recommendation for Permit Transfers, Skyline Mine, ACT/007/005, Soldier Canyon Mine, ACT/007/018, Banning Loadout, ACT/007/034, Convulsion Canyon Mine, ACT/041/002, Canyon Fuel Company, LLC, Folder #5, Carbon and Sevier Counties

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 any of the above-noted mines. 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 are the OSM recommendations from the Applicant Violator System with an issue recommendation for each of the mines for this permitting action.



FEDERAL
December 20, 1996

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) 538-5289

This permit, ACT/007/018, is issued for the state of Utah by the Utah Division of Oil, Gas and Mining (DOGM) to:

Canyon Fuel Company, LLC
555 Seventeenth Street
Denver, Colorado 80202
(303) 293-7576

for the Soldier Canyon 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 \$3,238,000.00, 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 underground coal mining activities on the following described lands within the permit area at the Soldier Canyon Mine situated in the state of Utah, Carbon County, and located:

Township 13 South, Range 12 East, SLBM

Section 4: All;
Section 5: All;
Section 6: All;
Section 7: All;
Section 8: All;
Section 9: W1/2, NE1/4, N1/2SE1/4;
Section 17: N1/2;

Section 18: N1/2N1/2, SE1/4NE1/4, S1/2NW1/4,
NE1/4SW1/4NE1/4, NW1/4SW1/4NE1/4; and
Section 19: Portion of SW1/4SW1/4

Township 12 South, Range 12 East, SLBM

Section 32: NW1/4, SW1/4NE1/4, E1/2NE1/4, S1/2

Township 13 South, Range 11 East, SLBM

Section 1 : E1/2SE1/4;

Section 11: SE1/4SE1/4;

Section 12: E1/2, E1/2N1/4, E1/2SW1/4;

Section 13: N1/2NE1/4, NE1/4NW1/4, SE1/4NE1/4, NE1/4SE1/4;

Section 24: Portions of SE1/4SE1/4;

Section 25: Portions of N1/2NW1/4SE1/4, Portions of S1/2SW1/4NEE1/4;

IBC #1 Legal: Beginning at the north east corner of Section 12, Township 13 South Range 11 East, go 2,508 Feet south 00°26' 03 east, thence 1,324 feet north 89°47'01" west, thence 3,772 feet south 00°22'14" east, thence 921 feet north 45°20'28" west, thence 209 feet north 12°10'17" west, thence 252 feet north 00°40'55" east, thence 377 feet north 07°27'51" east, thence 151 feet north 06°50'34" west, thence 139 feet north 15°02'16" west, thence 1,236 feet north 36°36'37" west, thence 417 feet north 12°54'07" west, thence 281 feet north 07°34'52" west, thence 198 feet north 25°47'14" west, thence 197 feet north 39°01'24" west, thence 212 feet north 07°19'35" west, thence 425 feet north 27°01" west, thence 178 feet north 11°41'22" west, thence 864 feet north 27°07'43" west, thence 240 feet north 06°28'20" west, thence 238 feet north 01°12'13" west, thence 194 feet north 11°18'36" east, thence 315 feet north 16°52'27" east, thence 3,436 feet south 89°26'59" east, thence 2, 508 feet south 00°26'03" east to point of beginning

IBC #2 Legal: Beginning at the north east corner of IBC #1; thence north 0°00'00" west for a distance of 3720.3 feet; thence north 90°00'00" west for a distance of 1,192.8 feet; thence south 28°00'00" west for a distance of 4,181.6 feet; thence south 89°0'00" east for a distance of 3,163.7 feet to the pont of beginning; containing approximately 186 acres (See exhibit 1.12-2)

As described more precisely in the Soldier Canyon Mine Mining and Reclamation Permit on file with the Division of Oil, Gas and Mining.

This legal description is for the permit area of the Soldier Canyon Mine. The permittee is authorized to conduct underground coal mining activities on the foregoing described property subject to the conditions of the leases, including all conditions and all other applicable conditions, laws and regulations.

- Sec. 3 COMPLIANCE - The permittee will comply with the terms and conditions of the permit, all applicable performance standards and requirements of the State Program.
- Sec. 4 PERMIT TERM - This permit becomes effective on December 20, 1996 and expires on February 3, 1997.
- Sec. 5 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. 6 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. 7 SCOPE OF OPERATIONS - The permittee shall conduct underground coal mining activities only on those lands specifically designated as within the permit area 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.
- Sec. 8 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. 9 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. 10 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. 11 EXISTING STRUCTURES - As applicable, the permittee will comply with R645-301 and R645-302 for compliance, modification, or abandonment of existing structures.
- Sec. 12 RECLAMATION FEE PAYMENT - The operator shall pay all reclamation fees required by 30 CFR part 870 for coal produced under the permit, for sale, transfer or use.
- Sec. 13 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. 14 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. 15 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. 16 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. 17 APPEALS - The permittee shall have the right to appeal as provided for under R645-300.

The above conditions (Secs. 1-17) 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: _____

Date: _____

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: _____