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State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple, Suite 1210

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

James W. Carter
Division Director

Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-5319 (TDD)

Mine file

February 3, 1997

Richard D. Pick
CEO
Canyon Fuel Company, LLC
6955 Union Park Center, Suite 540
Salt Lake City, UT 84047

Re: Permit Renewal, Soldier Canyon Mine, Canyon Fuel Company, LLC,
ACT/007/018-96-2, Folder #3, Carbon County, Utah

Dear Mr. Pick:

I am enclosing the decision document and two original permits for the permit renewal for the Soldier Canyon Mine. Please sign both permits and return one to the Division.

This permit represents a successive renewal of the existing permit with its associated mining and reclamation plan. The permit changes that were submitted with the permit renewal application are being processed separately and will require separate approval prior to their implementation.

If you have any questions, please call Daron Haddock or Pamela Grubaugh-Littig.

Very truly yours,

James W. Carter

for
James W. Carter
Director

Enclosures

cc: Ron Singh, OSM-WRCC
Barry Barnum, Canyon Fuel Company
Daron Haddock (w/o)
Pamela Grubaugh-Littig (w/o)
Joe Helfrich (w/o)
PFO

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

Canyon Fuel Company, LLC
Soldier Canyon Mine
ACT/007/018
Carbon County, Utah

February 3, 1997

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- * Administrative Overview
- * Location Map
- * Permitting Chronology
- * Findings
- * Permit
- * Affidavit of Publication
- * AVS Recommendation, February 3, 1997

ADMINISTRATIVE OVERVIEW

Canyon Fuel Company, LLC
Soldier Canyon Mine
Five Year Permit Renewal
ACT/007/018

February 3, 1997

PROPOSAL

Soldier Creek Coal Company (SCCC) made application to the Division of Oil Gas and Mining for a five year permit Renewal for the Soldier Canyon Mine on October 3, 1996. On December 20, 1996, this permit was transferred from Soldier Creek Coal Company to Canyon Fuel Company, LLC. This renewal encompasses the permit area, including two incidental boundary changes for the Alkali Lease Tract (Federal Lease UTU-69635).

BACKGROUND

The Mining and Reclamation Plan (MRP) for the Soldier Canyon Mine was originally approved by the Division of Oil, Gas and Mining (DOGM) and the Office of Surface Mining Reclamation and Enforcement (OSMRE) on June 10, 1985. The approved permit area consisted of two federal coal leases, SL-051279-063188 and U-50722, encompassing 2,143.81 acres. The Bureau of Land Management (BLM) administered 590 of those acres and the remainder were privately owned.

In June of 1986 SCCC was sold to the Sun Company. A new MRP was submitted which incorporated two new state coal leases (ML-21994 and ML-22675) and portions of two other state leases (ML-42648 and ML-42649), held by affiliates of Sun Company, into the permit area. The new MRP was approved by DOGM on February 3, 1987, bringing the permitted area to a total of 4,347.99 acres. Due to the extensive additions to the permit area and submittal of a complete new MRP, a new five-year permanent program was issued with that approval.

SCCC acquired state lease ML-44365 on April 3, 1989 and requested that it be added to the permit area on April 17, 1989. The lease encompassed 557.20 acres. A revised mining permit incorporating lease ML-44365 was issued on August 8, 1989. This brought the total permit acreage to 4905.19 acres.

A topsoil/substitute topsoil storage site, consisting of an additional 4.5 acres was added to the permit area on May 28, 1991, bringing the total permit acreage to 4909.69 acres.

Page 2
Administrative Overview
ACT/007/018
February 3, 1997

In order to accommodate an increase in production and additional expansion at the mine site, SCC required more space. A surface expansion was approved in June 1991. The applicant proposed to increase intake capacity for the ventilation network and update the coal handling and transportation facilities at the mine. The total increase area of surface disturbance for the site was 5.6 acres and increased the bonded and disturbed area from 32.2. to 37.8 acres. The stretch of county road going through this area was also relocated.

On May 14, 1996 an incidental boundary change was approved to allow mining in the Alkali Lease (UTU-69635). This consisted of only 276 acres of the lease and was done to allow SCCC to continue mining while the application for the entire lease was being processed. The application for the entire Alkali Lease was submitted on May 31, 1996.

However, SCCC encountered burn in the incidental boundary change and quickly needed to alter their mining sequence. Therefore, a second incidental boundary change was submitted on October 3, 1996 for 186 acres and was approved on November 5, 1996 by the Division and received mining plan approval on December 19, 1996. The significant revision to mine the entire Alkali Lease Tract is still being processed to date. *5095.69 acw*

On October 3, 1996 the permit renewal for the Soldier Creek Mine was received with a number of permit changes. On October 18, 1996, the Division notified the permittee that these permit changes would be processed separately as ACT/007/018-96A.

On December 20, 1996, the permit was transferred from Soldier Creek Coal Company to Canyon Fuel Company, LLC.

RECOMMENDATION

The application for a successive permit renewal has met the requirements for approval. The permit renewal was advertised in the Sun Advocate on November 7, 14, 21, and 28, 1996 and no comments were received. This permit renewal should be approved.

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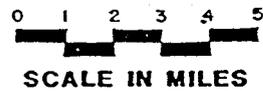
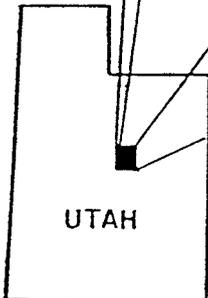
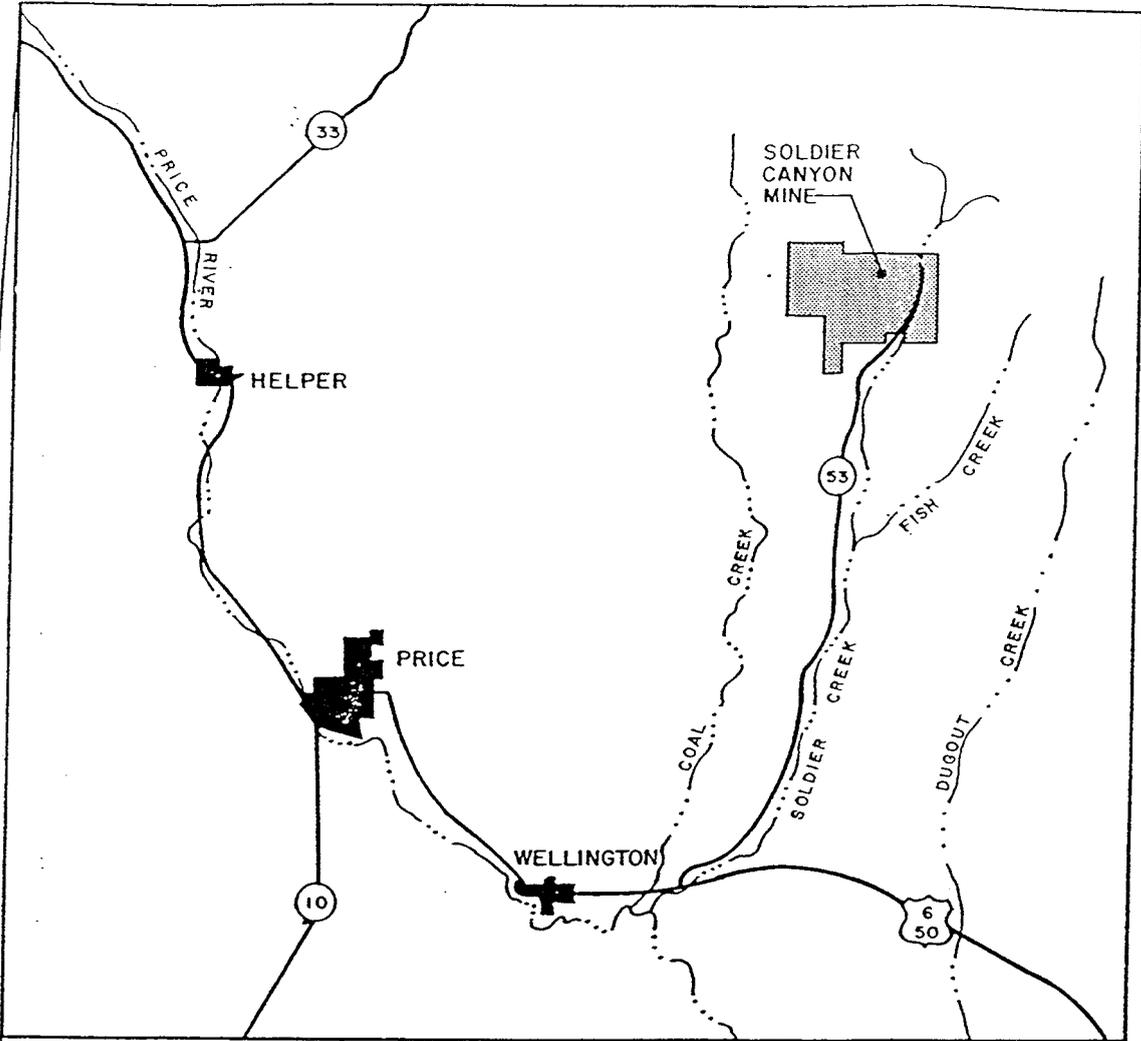


Figure 1
AREA MAP
SOLDIER CANYON MINE

PERMITTING CHRONOLOGY
PERMIT RENEWAL

Canyon Fuel Company
Soldier Canyon Mine
ACT/007/018
Carbon County, Utah

February 3, 1997

October 3, 1996	Soldier Creek Coal Company (SCCC) submitted the application for permit renewal with many permit changes.
October 18, 1996	Letter from Division to SCCC states that permit renewal will be processed separately from the permit changes. Determined administratively complete.
November 7, 1996	Letter from Division to federal and state agencies to notify them about permit renewal for Soldier Canyon Mine.
November 7, 14, 21, 28, 1996	Publication notices in the <u>Sun Advocate</u> .
December 20, 1996	Permit transfer from Soldier Creek Coal Company to Canyon Fuel Company, LLC is approved.
February 3, 1997	No comments received. Permit renewed.

PERMIT RENEWAL FINDINGS

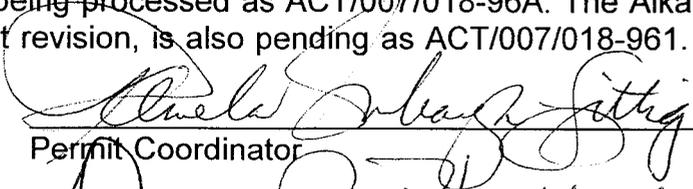
Canyon Fuel Company, LLC

Soldier Canyon Mine

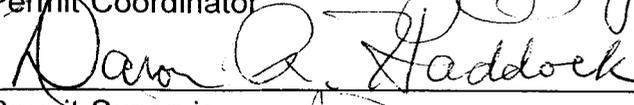
ACT/007/018

February 3, 1997

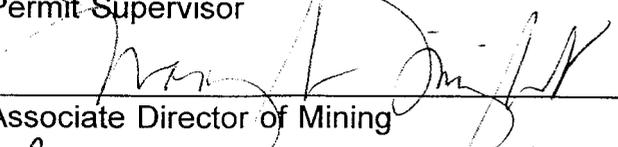
1. Application for a permit renewal was made on October 3, 1996 (R645-303.233.100).
2. The terms and conditions of the existing permit are being satisfactorily met (R645-303-233.110).
3. The present underground coal mining activities are in compliance with the environmental protection standards of the 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 (Indemnity Insurance Co. of No. America - ISL G1 423256-0) (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 permit period. (United Pacific Insurance Company #U1712981-1 in the amount of \$3,238,000) (R645-303-233.150).
7. For the most recent permit term, permit changes ordered by the Division and notices of violations requiring a permit change have been incorporated into the permit. Outstanding permit changes that were submitted as part of the permit renewal application are being processed as ACT/007/018-96A. The Alkali Lease Tract, a significant revision, is also pending as ACT/007/018-961.



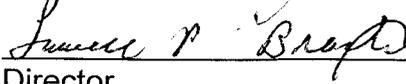
Permit Coordinator



Permit Supervisor



Associate Director of Mining

 for J.W. Carter

Director

AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

SS.

County of Carbon,)

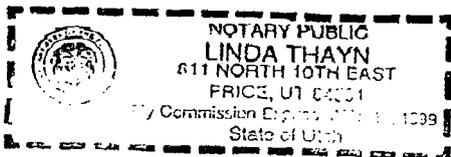
I, Kevin Ashby, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State and County aforesaid, and that a certain notice, a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and that the first publication was on the 7th day of November, 1996 and that the last publication of such notice was in the issue of such newspaper dated the 28th day of November, 1996.

Kevin Ashby
Kevin Ashby - Publisher

Subscribed and sworn to before me this 28th day of November, 1996.

Linda Thayne
Notary Public My commission expires January 10, 1999 Residing at Price, Utah

Publication fee, \$319.76



LEGAL NOTICE

Soldier Creek Coal Company of Salt Lake City, Utah, hereby announces its intent to renew its coal mining permit under the laws of the State of Utah and the U.S. Office of Surface Mining. The currently approved mining permit is number ACT/007/018.

Soldier Creek Coal Company operates the Soldier Canyon Mine which is located within Sections 18 and 19, Township 13 S., Range 12 E., and Sections 24 and 25, Township 13 S., Range 11 E. SLBM. These locations are approximately 12 miles northeast of Wellington, Utah.

Underground coal mining will take place in coal reserves owned or leased by Soldier Creek Coal Company. The location of the permit area is described as follows:

Township 13 S., Range 11 E., Salt Lake Base and Meridian

- Section 1: All
- Section 2: All
- Section 3: SW1/4, SW1/4 E1/2
- Section 10: N1/2, E1/2 SE1/2, NW1/4 SE1/4, NW1/4 SW1/4
- Section 11: All
- Section 12: All
- Section 13: W1/2, NW1/4 NE1/4, E1/2 N/E1/4, NE1/4 SE1/4
- Section 14: N1/2, N1/2 S1/2, SE1/4 SE1/4
- Section 15: NE1/4 NE1/4
- Section 23: N1/2 NE1/4 NE1/4
- Section 24: N1/2 N1/2 NW1/4

Township 13 S., Range 12 E., Salt Lake Base and Meridian

- Section 4: All
- Section 5: All
- Section 6: All
- Section 7: All
- Section 8: All
- Section 9: NW1/4
- Section 17: NW1/4
- Section 18: NW1/4, NW1/4 NE1/4, E1/2 NE1/4, NW1/4 NE1/4 SW1/4 NE1/4, NW1/4 SW1/4 NE1/4 SW1/4 NE1/4, NE1/4 SE1/4 NW1/4 SW1/4 NE1/4

The address of the Applicant is: Soldier Creek Coal Company
6955 South Union Park Center, Suite 550
Midvale, Utah 84047
Phone: (801) 569-4700

The address of the Operator is: Soldier Creek Coal Company
P.O. Box 1029
Wellington, Utah 84542
Phone: (801) 637-6360

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 Carbon County Clerks Office, Carbon County Courthouse, 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, Box 145801, Salt Lake City, Utah 84114-5801.

Published in the Sun Advocate November 7, 14, 21 and 28, 1996.



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

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James W. Carter
Division Director

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

February 3, 1997

TO: File

FROM: Pamela Grubaugh-Littig, Permit Coordinator *PGL*

RE: AVS Recommendation, Canyon Fuel Company, LLC, Soldier Canyon Mine, ACT/007/018 - 96-2, Folder #3, Carbon County, Utah

An "issue" recommendation has been determined by the Applicant Violator System for the Soldier Creek Mine. As of the writing of this memo, there are no outstanding violations or cessation orders for the Soldier Canyon Mine nor delinquent civil penalties or bond forfeitures. Neither the applicant, nor any person who owns or controls the permittee, is currently in violation of any laws, rules or regulations referred to in R645-300-132.



State : UT Permit No :	Appl No : ACT007018
Applicant : 142816(CANYON FUEL CO LLC)	Seqno : 1

SYSTEM RECOMMENDATION IS BASED ON ENTITY OFT		
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SYSTEM RECOMMENDATION	: ISSUE	02/03/97
PREVIOUS SYSTEM RECOMMENDATION	: ISSUE	12/19/96

RCM_MNT(F7) PERMIT/APPL(F8)
 PRV_SCR(F3) EVOFT(F5) REPORTS(F9) CHOICES(F10)

■ avsdg

08:30

State : UT Permit No :	Appl No : ACT007018
Applicant : 142816(CANYON FUEL CO LLC)	Seqno : 1

SYSTEM RECOMMENDATION IS BASED ON ENTITY OFT		
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SYSTEM RECOMMENDATION	: ISSUE	02/03/97
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RCM_MNT(F7) PERMIT/APPL(F8)
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■ avsdg

08:30

FEDERAL
February 3, 1997

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5340

This permit, ACT/007/018, is issued for the state of Utah by the Utah Division of Oil, Gas and Mining (DOGGM) 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 coal mining activities on 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; and

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 on February 3, 1997 and expires on February 3, 2002.
- 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 R645-3023 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: Lawell P. Bradford for J.W. Carter

Date: 2/3/97

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: _____