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DEPARTMENT OF NATURAL RESOURCES

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Outgoing
C0070018
3306
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September 29, 2009

Erwin Sass, General Manager
Canyon Fuel Company, LLC
P.O. Box 1029
Wellington, Utah 84542

Subject: Completion of Midterm Permit Review, Canyon Fuel Company, Soldier Canyon Mine Mine, C/007/0018, Task ID #3306

Dear Mr. Sass:

In a letter dated June 4, 2009, the Division informed you that we were initiating the midterm review of the Soldier Canyon Mine permit. The Division completed the Midterm Review and mailed a letter outlining the findings on August 3, 2009.

In that letter, a deficiency had been identified relative to item #5 regarding estimated bond costs (See Below). It was later determined by Division staff that an error had been made in calculating the bond costs and that no escalation was required at this time. The calculation error and findings has been corrected/revised.

1. A review of the mine plan to ensure that the requirements of all permit conditions, division orders, notice of violation abatement plans, and Permittee initiated plan changes are appropriately incorporated into the mine plan document.

Division staff reviewed the Mining and Reclamation Plan (MRP) and determined that there are no outstanding requirements, commitments or obligations. No deficiencies/issues relative to the requirements outlined above were identified during the midterm review.

2. A review to ensure that the mine plan has been updated to reflect changes in the Utah Coal Regulatory Program that have occurred subsequent to permit approval (example: compliance with U.S. Fish and Wildlife Department - Colorado River Endangered Fish Recovery Program).



Water consumption within the Colorado River Basin is considered by the USFWS to adversely affect endangered fish within the Colorado River basin. The Soldier Canyon Mine has been in cessation since 1999 and is currently consuming 0 acre/feet of water. As a result, the Division finds that it is unnecessary to re-visit or re-evaluate the Soldier Canyon Mine relative to the Colorado River Endangered Fish Recovery Program at this time.

3. A review of the applicable portions of the permit to ensure that the mine plan contains commitments for application of the best technology currently available (BTCA) to prevent additional contributions of suspended solids to stream flows outside of the permit area.

Beginning on page 7-155, the Permittee discusses the components of the mine site's hydrologic balance protection plan and various sediment control measures being utilized at the site. The Permittee commits to "using the best technology currently available" to ensure the protection of ground and surface water resources. Division staff conducted a field visit to the surface facility on July 21st, 2009. The sediment control measures utilized at the site were inspected and found to be functioning as designed. No signs of excessive erosion or uncontrolled storm water runoff were observed at the time of the field visit.

4. An Applicant/Violator System (AVS) check to insure that Ownership and Control Information is current and correct, verify compliance status of unabated enforcement actions, determine status of any outstanding finalized penalties, and verify that there are no demonstrated patterns of violation. No issue with AVS per PWB 8/3/09

The Division performed an AVS database evaluation of Canyon Fuel Co., LLC (Entity #142816). Canyon Fuel Co., LLC was identified as the Permittee for the Soldier Canyon Mine. No outstanding/un-revolved violations were identified.

5. A review of the bond to ensure that it is in order and that the cost estimate is accurate and is escalated to the appropriate current-year dollars.

The type of bond currently in place is a SURETY, issued by St. Paul Fire & Marine Insurance Company. This surety has an A. M. Best rating of A+, as of June 30, 2009. The amount of bond currently in place to ensure reclamation of the Soldier Canyon Mine is \$ 1,593,000.00 in 2009 dollars.

The direct cost to reclaim the Soldier Canyon Mine is \$ 1,105,520.00. The Indirect costs are 26.8 % of that amount or \$ 296,279.00; the Total Reclamation Cost is \$ 1,401,799.00. The escalation of this amount to 2014 dollars, using an escalation factor of 0.013 over a five-year period amounts to an escalation of \$ 93,500.00. The Total Escalated Reclamation Cost rounded to the nearest \$ 1,000 is \$ 1,495,000.00. The Permittee has a reclamation bond in place of \$ 1,593,000.00. The posted reclamation bond exceeds the required escalated reclamation cost by \$98,000.00. This is an excess of 6.15 %. The Permittee does not need to post any additional bond during this mid-term review.

6. A review of the mining and reclamation plan for compliance with operator commitments related to variances or special permit conditions (including but not limited to subsidence control/monitoring plans and reporting requirements, variances to AOC, experimental practices, electronic database water monitoring reporting, raptor surveys, revegetation test plots, etc.).

A review of the MRP for operator commitments relative to variances or special permit conditions was conducted. As outlined in the approved MRP, the Permittee has submitted quarterly water monitoring data to the electronic water-monitoring database. No outstanding commitments were identified.

7. The Division may conduct a technical site visit, in conjunction with the assigned compliance inspector, to document the status and effectiveness of operational, reclamation, and contemporaneous reclamation practices.

In conjunction with this midterm review, the Division conducted a site visit on July 21, 2009. Division staff did not identify any conditions in violation of the approved MRP.

If you have any questions regarding the Midterm Review process please call me at (801) 538-5262 or Steve Christensen at (801) 538-5350.

Sincerely,



James D. Smith
Permit Supervisor