

**State of Utah****Department of
Natural Resources**

MICHAEL R. STYLER
Executive Director

**Division of
Oil, Gas & Mining**

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August 29, 2006

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

Subject: Midterm Permit Review, Canyon Fuel Company, LLC, Banning Siding Loadout, C/007/0034, Task ID #2619, Outgoing File

Dear Mr. Sass:

The Division is required to review each active permit during its term, in accordance with R645-303-211. This review is to take place at the midpoint of the permit term for the Banning Siding Loadout and will cover pertinent elements that have been selected for review. The Midterm Review for the Banning Siding Loadout has been scheduled and the items chosen for review encompass the following:

1. An AVS check to insure that Ownership and Control information is current and correct.
2. A review to ensure that the mine plan has been updated to reflect changes in the Utah Coal Regulatory Program, which have occurred subsequent to permit approval (One area of emphasis is to ensure compliance with the U.S. Fish and Wildlife Service - Colorado River Endangered Fish Recovery Program).
3. 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.
4. 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.
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 year dollars.

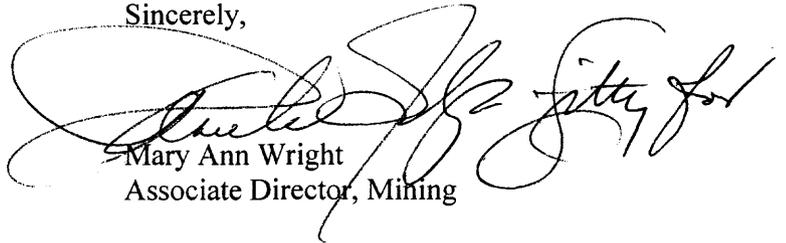
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6. A review of the mining and reclamation plan commitments for the subsidence control/monitoring plans and reporting requirements.
7. The Division may conduct a technical site visit in conjunction with the assigned compliance inspector to document the status and effectiveness of operational, reclamation, and contemporaneous reclamation practices.

Any information that you would like us to review as part of the Midterm Review must be submitted by September 29, 2006. Once the review has been conducted, you will be notified of any outstanding issues that need to be corrected.

If you have any questions regarding these requirements or the Midterm Review process, please contact Wayne Hedberg, Coal Program Permit Supervisor, at (801) 538-5286.

Sincerely,



Mary Ann Wright
Associate Director, Mining

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cc: Vickie Miller, CFC
Wayne Hedberg, OGM
Karl Houskeeper, PFO
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