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

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

Michael O. Leavitt
Governor
Lowell P. Braxton
Division Director

October 16, 1998

Richard D. Pick
Canyon Fuel Company, LLC
6995 South Union Park Center, Suite 540
Salt Lake City, Utah 84047

Re: Permit for Phase II, Dugout Canyon Mine, Canyon Fuel Company, LLC.,
ACT/007/039, Folder #3, Carbon County, Utah

Duke
Dear Mr. Pick:

I am enclosing the Decision Document and revised permit for the Dugout Canyon Mine which authorizes mining and reclamation according to your Phase II plans. Please sign both copies of the permit and return one to the Division.

Please note the requirements and the and timeframes associated with the permit. The Permit expires on March 16, 2003. Thank you for your cooperation during this permitting endeavor. If you have any questions, please call.

Sincerely,

Lowell
Lowell P. Braxton
Director

Enclosure

cc: Ken Payne
Daron Haddock
Pamela Grubaugh-Littig
Price Field Office

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UTAH DIVISION OF OIL, GAS AND MINING
STATE DECISION DOCUMENT AND
TECHNICAL ANALYSIS

Canyon Fuel Company, LLC
Dugout Canyon Mine Phase II
ACT/007/039
Carbon County, Utah

October 16, 1998

CONTENTS

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ADMINISTRATIVE OVERVIEW

Canyon Fuel Company, LLC
Dugout Canyon Mine Phase II
ACT/007/039
Carbon County, Utah

October 16, 1998

PROPOSAL

Canyon Fuel Company, LLC proposes to add 10 acres of land to the existing Dugout Canyon mining operation in Carbon County, Utah approximately 11 miles northeast of Wellington, Utah. The proposed additional permit area is located entirely on BLM land adjacent to the existing disturbed area of the Dugout Canyon Mine. The addition of the BLM land will allow for the expansion of the surface facilities area at the mine. Surface disturbance at the site will expand by approximately 9.7 acres to 20.1 acres of total disturbed area. The expanded disturbance will allow for water tanks, larger storage areas, and larger sediment control facilities. This expansion of the surface facilities is referred to as Phase II .

The proposed new permit area encompasses 10 acres which when combined with the existing 4025 acres will bring the total area to be permitted to 4035 acres. There will be no change to the lease areas already permitted, nor will there be any change in the method or quantity of coal to be mined.

BACKGROUND

Mining in Dugout Canyon had its beginning in 1925 when D. J. Collins hand-developed the Red Glow Mine. After that several other entities conducted small mining operations in the Canyon off and on until approximately 1965. The reserve changed hands several times when finally Sunedco acquired the reserves in the early 1980's and permitted the property in hopes of developing a 5 million ton a year coal mine. The market never materialized and the mine never was developed. The permit was not kept active and was revoked on May 19, 1987. Coastal States Energy Company acquired the properties in 1993 as part of the acquisition of Soldier Creek Coal Company.

This application was initiated by Coastal States Energy Company on March 15, 1996. Canyon Fuel Company, LLC became the applicant on December 20, 1996 when the Atlantic Richfield Companies purchased the Coastal properties. A permit for the Dugout Canyon Mine was issued on March 16, 1998 shortly after which construction of the mine commenced. Canyon Fuel Company, LLC determined that additional surface facilities would be needed and in May 1998, submitted an application to add 10 acres of BLM land to the permit.

ANALYSIS

The permit area consists of parts of two state coal leases, ML-42648 and ML-42649, some fee lease (owned by Canyon Fuel) and a 10 acre BLM Right-of-Way encompassing a total of 4035 acres.

Mining will take place by standard room and pillar methods and will occur in the Rock Canyon seam. Production is anticipated to reach approximately 2 million tons per year. Estimated reserves in the permitted area range from 10 to 15 million tons. Canyon Fuel Company, LLC has identified additional reserves in adjacent federal leases that would add significantly to the life of this operation. It is anticipated that future permitting action will incorporate the federal lease into the Dugout permit, but for this permit term only state and fee properties are involved.

The surface facilities area is located on 10.4 acres belonging to the Canyon Fuel Company, LLC and 10 acres of BLM property making a total of 20.1 acres of disturbed area. It will be accessed from the Dugout Canyon Road, a Class B public road which is under the jurisdiction of Carbon County. Surface facilities will be commensurate with those needed to handle approximately 2 million tons of coal per year and will consist of buildings, utilities, tanks, conveyors, stockpiles, equipment areas, and all necessary sediment control structures. In order to facilitate the surface operations and to provide protection to Dugout Creek during the mining operation, much of the creek through the disturbed area will be placed in a culvert. A stream alteration permit for this action has been obtained from the Division of Water Rights.

RECOMMENDATION

This recommendation is based on the complete permit application package (PAP), the Technical Analysis (TA) conducted by the Division, the Cumulative Hydrologic Impact Assessment CHIA also prepared by the Division, and the administrative record. Canyon Fuel Company, LLC has demonstrated that mining within the permit boundary can be done in conformance with the Surface Mining Control and Reclamation Act, and the corresponding Utah Act and performance standards. The 510 (C) report on the Applicant Violator System for this mine has an issue recommendation.

It is recommended that approval be given for the addition of the 10 acre BLM Right-of-Way to the Dugout Canyon mine and for the additional 9.7 acres of disturbance with conditions as outlined in the Technical Analysis and summarized as Attachment A to the Permit.

PERMITTING CHRONOLOGY

Canyon Fuel Company, LLC
Dugout Canyon Mine Phase II
ACT/007/039
Carbon County, Utah

October 16, 1998

- May 1, 1998 Soldier Creek Coal Company submits the application for the addition of 10 acres to the Dugout Canyon Mine and for the expansion of surface facilities.
- May 29, 1998 The application is determined administratively complete.
- June 4,9,11,16,18,
13,25 and 30, 1998 Publication of this permitting action, intent to add 10 acres to the Dugout Canyon Mine, is published in the Sun Advocate.
- August 25, 1998 Division completes a technical review of the application and identifies deficiencies that need to be addressed.
- September 11, 1998 Canyon Fuel Company, LLC responds to the Technical Analysis.
- October 13, 1998 Reclamation bond is determined to be \$3,682,000.
- October 16, 1998 Reclamation bond is posted with the Division.
- October 16, 1998 Final deficiencies are addressed. TA completed.
- October 16, 1998 Decision Document completed and Permit issued.

MINE PLAN INFORMATION

Mine Name: Dugout Canyon Mine State ID: ACT/007/039

Permittee: Canyon Fuel Company, LLC County: Carbon

Controlled By: ARCO Coal Contact Person(s): Richard Pick

Telephone: (801) 637-6360 Position: President

New/Existing: Both Mining Method: Room and Pillar

Federal Lease No(s): None

Legal Description(s): _____

State Lease No(s): ML-42648; ML-42649

Legal Description(s): ML-42648: T.13S., R12E., Sec 10: S1/2, Sec 11: S1/2, Sec 14 and 15: All, Sec. 17: E1/2SW1/4, SE1/4, NE1/4, Sec 20: E1/2NW1/4, SW1/4NW1/4, N1/2NW1/4, Sec 21: N1/2NW1/4, NE1/4, Sec 22: N1/2, N1/2S1/2, Sec 23: W1/2 NW1/4; ML-42649: T.13S., R.12E., Sec. 9 S1/2SE1/4

Fee Leases (identify): Canyon Fuel Fee

Description(s): T.13S., R12E. Sec 16: All, Sec 23: E1/2NW1/4. W1/2NE1/4

Other Leases or Rights-of-way (identify): BLM Right-of-Way UTU-76601

Description(s): T.13S., R12E. Sec 23: NE1/4NW1/4NW1/4SW1/4, N1/2NE1/4NW1/4SW1/4, SE1/4NW1/4NW1/4SW1/4

Ownership Data:

<u>Surface Resources (acres):</u>	<u>Existing Permit Area</u>	<u>Proposed Permit Area</u>	<u>Total Life Of Mine Area</u>
Federal	<u>0</u>	<u>10</u>	<u>10</u>
State	<u>920</u>	<u>0</u>	<u>920</u>
Private	<u>3105</u>	<u>0</u>	<u>3105</u>
Other			
TOTAL	<u>4025</u>	<u>10</u>	<u>4035</u>

Coal Ownership (acres):

Federal	<u>0</u>	<u>0</u>	<u>0</u>
State	<u>3225</u>	<u>0</u>	<u>3225</u>
Private	<u>800</u>	<u>0</u>	<u>800</u>
Other			
TOTAL	<u>4025</u>	<u>0</u>	<u>4025</u>

Mine Plan Information
 Dugout Canyon Mine
 Page 2

<u>Disturbed Acres</u>	<u>10.4</u>	<u>9.7</u>	<u>20.1</u>
<u>Minable Coal (tons)</u>			
Federal			
Non- Federal	<u>10-15 million</u>	<u>0</u>	<u>10-15 million</u>
TOTAL	<u>10-15 million</u>	<u>0</u>	<u>10-15million*</u>

<u>Recoverable Reserve Data</u>	<u>Name</u>	<u>Thickness</u>	<u>Depth</u>
Seam	<u>Rock Canyon</u>	<u>6' - 10'</u>	<u>600' - 2400'</u>

Mine Life: 1998-2008 *
 Average Annual Production: 2 Million Tons
 Date Projected Annual Rate Reached: 2000

* While not included in this permit term, Canyon Fuel has indicated its intent to add additional permit area and coal reserves (federal) to the Dugout Canyon Permit in the future. This would extend the life of the mine to beyond the year 2025.

FINDINGS

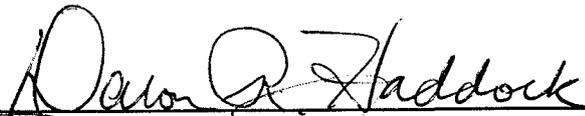
Canyon Fuel Company, LLC
Dugout Canyon Mine Phase II
ACT/007/039
Carbon County, Utah

October 16, 1998

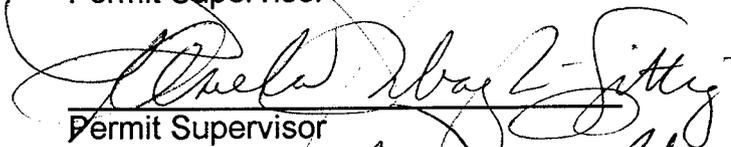
1. The permit application for adding an additional 10 acres to the permit area and for expanding the surface disturbed area to 20.1 acres at the Dugout Canyon Mine is accurate and complete and all requirements of the Surface Mining Control and Reclamation Act, and the approved Utah State Program (the "Act") are in compliance. See Technical Analysis dated October 16, 1998 (R645-300-133.100)
2. The applicant proposes acceptable practices for the reclamation of disturbed lands. The Division has determined that reclamation, as required by the Act can be feasibly accomplished following the approved plan. (R645-300-133.710)
3. An assessment of the probable cumulative impacts of all anticipated coal mining and reclamation activities in the general area on the hydrologic balance has been conducted by the Division and no significant impacts were identified. See CHIA dated March 12, 1998 and October 16, 1998 Technical Analysis. The Mining and Reclamation Plan (MRP) proposed under the revised application has been designed to prevent damage to the hydrologic balance in the permit area and in associated off-site area (R645-300-133.400 and UCA 40-10-11 (2)(c)).
4. The proposed lands to be included within the permit area are:
 - a. Not included within an area designated unsuitable for underground coal mining operation (R645-300-133.220);
 - b. not within an area under study for designated land unsuitable for underground coal mining operations (R645-300-133.210);
 - c. not on any lands subject to the prohibitions or limitation of 30 CFR 761.11 {a} (national parks, etc), 761.11 {f} (public buildings, etc.) and 761.11 {g} (cemeteries);
 - d. not within 100 feet of a public road except at the location where the public road accesses the property(R645-300-133.220); and
 - e. not within 300 feet of any occupied dwelling (R645-300-133.220).

5. The operation would not affect the continued existence of any threatened or endangered species or result in the destruction or adverse modification of their critical habitats as determined under the Endangered Species Act of 1973. (16 USC 1531 et seq.) (R645-300-133.500)
6. The Division's issuance of a permit is in compliance with the National Historic Preservation Act and implementing regulations (36 CFR 800). (R645-300-133.600)
7. The applicant has the legal right to enter and complete mining activities in the permit area through State coal leases issued by the State of Utah and a surface Right-of-Way issued by the BLM (See Leases in Appendix A-1 of PAP. (R645-300-133.300)
8. A 510 (c) report has been run on the Applicant Violator System (AVS), which shows that: prior violations of applicable laws and regulations have been corrected; neither Canyon Fuel Company, LLC or any affiliated company, are delinquent in payment of fees for the Abandoned Mine Reclamation Fund; and the applicant does not control and has not controlled mining operations with demonstrated pattern of willful violations of the Act of such nature, duration, and with such resulting irreparable damage to the environment as to indicate an intent not to comply with the provisions of the Act (A 510 (c) report was run on , 1998, see memo to file dated October 16, 1998). (R645-300-133.730)
9. Underground mining operations to be performed under the permit will not be inconsistent with other operations anticipated to be performed in areas adjacent to the proposed permit area.
10. The applicant has posted a surety bond for the Dugout Canyon Mine in the amount of \$3,682,000. (R645-300-134)
11. No lands designated as prime farmlands or alluvial valley floors occur on the permit area. (R645-302-313.100 and R645-302-321.100)
12. The proposed postmining land-use of the permit area is the same as the pre-mining land use and has been approved by the Division and the surface land management agency.
13. The Division has made all specific approvals required by the Act, the Cooperative Agreement, and the Federal Lands Program.

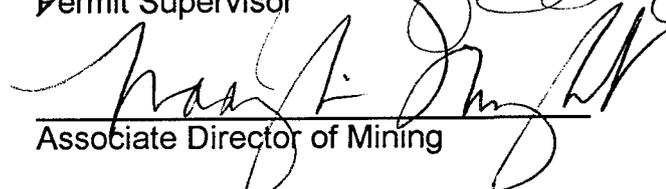
14. All procedures for public participation required by the Act, and the approved Utah State Program are in compliance. The public advertisement was noticed on June 4,9,11,16,18,13,25 and 30, 1998. No comments were received. (R645-300-120)
15. No "existing structures" will be used in conjunction with this mine. (R645-300-133.720)



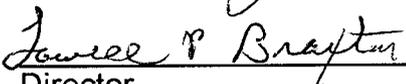
Permit Supervisor



Permit Supervisor



Associate Director of Mining



Director

Non-FEDERAL
October 16, 1998

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/007/039, is issued for the state of Utah by the Utah Division of Oil, Gas and Mining (DOG M) to:

Canyon Fuel Company, LLC
6955 South Union Park Center, Suite 540
Midvale, Utah 84047
(801) 596-7111

for the Dugout Canyon Mine. Canyon Fuel Company, LLC is the lessee of state and fee-owned property. A performance bond is filed with the DOGM in the amount of \$ 3,682,000, payable to the state of Utah, Division of Oil, Gas and Mining. 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 Dugout Canyon Mine situated in the state of Utah, Carbon County, and located:

T. 13 S., R. 12 E., SLBM, Utah
Section 9: S1/2SE1/4
Section 10: S1/2
Section 11: S1/2
Section 14: All
Section 15: All
Section 16: All
Section 17: E1/2SW1/4; SE1/4
Section 20: E1/2NW1/4; SW1/4NW1/4; N1/2NE1/4
Section 21: N1/2NW1/4; NE1/4
Section 22: N1/2; N1/2S1/2

Section 23: NW1/4; W1/2NE1/4; NE1/4NW1/4NW1/4SW1/4;
N1/2NE1/4NW1/4SW1/4; SE1/4NW1/4NW1/4SW1/4

This legal description is for the permit area of the Dugout Canyon Mine included in the mining and reclamation plan. The permittee is authorized to conduct underground coal mining and reclamation 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 October 16, 1998 and expires on March 16, 2003.
- 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 permittee 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: James P Brafter

Date: 10/16/98

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: _____

Non-FEDERAL
October 16, 1998

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
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Canyon Fuel Company, LLC
6955 South Union Park Center, Suite 540
Midvale, Utah 84047
(801) 596-7111

for the Dugout Canyon Mine. Canyon Fuel Company, LLC is the lessee of state and fee-owned property. A performance bond is filed with the DOGM in the amount of \$ 3,682,000, payable to the state of Utah, Division of Oil, Gas and Mining. 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 Dugout Canyon Mine situated in the state of Utah, Carbon County, and located:

T. 13 S., R. 12 E., SLBM, Utah

Section 9: S1/2SE1/4
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Section 23: NW1/4; W1/2NE1/4; NE1/4NW1/4NW1/4SW1/4;
N1/2NE1/4NW1/4SW1/4; SE1/4NW1/4NW1/4SW1/4

This legal description is for the permit area of the Dugout Canyon Mine included in the mining and reclamation plan. The permittee is authorized to conduct underground coal mining and reclamation 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 October 16, 1998 and expires on March 16, 2003.
- 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.
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- 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 permittee 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: *Jesse P Brafter*

Date: 10-16-28

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: _____

CHANGE RIDER

**LIBERTY
BOND SERVICES**



Rider to be attached to and form a part of Bond Number 14-000-068-0009-UT, dated the 24th day of July, 1998, executed by Liberty Mutual Insurance Company (the "Surety") on behalf of Canyon Fuel Company, LLC

(the "Principal")

in favor of State of Utah, Division of Oil, Gas and Mining

(the "Obligee")

The Principal and the Surety hereby consent to changing the attached bond as follows:

Increase the Bond Amount from \$1,260,000.00 to \$3,682,000.00

This change is effective 14th day of October, 1998.

The attached bond shall be subject to all of its terms, conditions and limitations except as herein modified.

Signed and sealed this 14th day of October, 1998.

WITNESS OR ATTEST:

Canyon Fuel Company, LLC

Virginia M. Forbes

By: Mark A. Luzecky (Seal)
Name: Mark A. Luzecky
Title: Vice President, Finance

LIBERTY MUTUAL INSURANCE COMPANY

By: Sue K. Fugate Attorney-in-Fact
Sue K. Fugate, Attorney-in-Fact

ACCEPTED:

James P. Breyer
Name: _____ (Obligee)
Title: Director, Division of Oil, Gas & Mining

Date: 10/16/98

This Power of Attorney limits the act of those named herein, and they have no authority to bind the Company except in the manner and to the extent herein stated.

LIBERTY MUTUAL INSURANCE COMPANY
BOSTON, MASSACHUSETTS

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS: That Liberty Mutual Insurance Company (the "Company"), a Massachusetts mutual insurance company, pursuant to and by authority of the By-law and Authorization hereinafter set forth, does hereby name, constitute and appoint,

PHILIP J. CHASE, SUE K. FUGATE, GARY G. GOULD, PHILIP A. HARMON, ROBERT L. HENLEY, LONNIE E. HOLLIS, ALL OF THE CITY OF LEXINGTON, STATE OF KENTUCKY

each individually if there be more than one named, its true and lawful attorney-in-fact to make, execute, seal, acknowledge and deliver, for and on its behalf as surety and as its act and deed, any and all undertakings, bonds, recognizances and other surety obligations in the penal sum not exceeding **SEVENTY MILLION** DOLLARS (\$ **70,000,000**) each, and the execution of such bonds or undertakings, in pursuance of these presents, shall be as binding upon the Company as if they had been duly signed by the president and attested by the secretary of the Company in their own proper persons.

That this power is made and executed pursuant to and by authority of the following By-law and Authorization:

ARTICLE XVI - Execution of Contracts: Section 5. Surety Bonds and Undertakings.

Any officer or other official of the company authorized for that purpose in writing by the chairman or the president, and subject to such limitations as the chairman or the president may prescribe, shall appoint such attorneys-in-fact, as may be necessary to act in behalf of the company to make, execute, seal, acknowledge and deliver as surety any and all undertakings, bonds, recognizances and other surety obligations. Such attorneys-in-fact, subject to the limitations set forth in their respective powers of attorney, shall have full power to bind the company by their signature and execution of any such instruments and to attach thereto the seal of the company. When so executed such instruments shall be as binding as if signed by the president and attested by the secretary.

By the following instrument the chairman or the president has authorized the officer or other official named therein to appoint attorneys-in-fact:

Pursuant to Article XVI, Section 5 of the By-laws, Assistant Secretary Garnet W. Elliott is hereby authorized to appoint such attorneys-in-fact as may be necessary to act in behalf of the company to make, execute, seal, acknowledge and deliver as surety any and all undertakings, bonds, recognizances and other surety obligations.

That the By-law and the Authorization above set forth are true copies thereof and are now in full force and effect.

IN WITNESS WHEREOF, this instrument has been subscribed by its authorized officer and the corporate seal of the said Liberty Mutual Insurance Company has been affixed thereto in Plymouth Meeting, Pennsylvania this 29th day of May, 19 98.



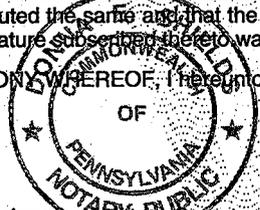
LIBERTY MUTUAL INSURANCE COMPANY

By Garnet W. Elliott
Garnet W. Elliott, Assistant Secretary

COMMONWEALTH OF PENNSYLVANIA ss
COUNTY OF MONTGOMERY

On this 29th day of May, A.D. 19 98, before me, a Notary Public, personally came the individual, known to me to be the therein described individual and officer of Liberty Mutual Insurance Company who executed the preceding instrument, and he acknowledged that he executed the same and that the seal affixed to the said preceding instrument is the corporate seal of said company; and that said corporate seal and his signature subscribed thereto was duly affixed and subscribed to the said instrument by authority and direction of the said company.

IN TESTIMONY WHEREOF, I hereunto set my hand and affix my official seal at Plymouth Meeting, PA, the day and year first above written.



NOTARIAL SEAL
DONNA E. SHIELDS, Notary Public
Plymouth Twp., Montgomery County
My Commission Expires Feb. 2, 2002

Donna E. Shields
Notary Public

I, the undersigned, Assistant Secretary of Liberty Mutual Insurance Company, do hereby certify that the original power of attorney of which the foregoing is a full, true and correct copy, is in full force and effect on the date of this certificate; and I do further certify that the officer who executed the said power of attorney was one of the officers specially authorized by the chairman or the president to appoint any attorney-in-fact as provided in Article XVI, Section 5 of the By-laws of Liberty Mutual Insurance Company.

This certificate may be signed by facsimile under and by authority of the following vote of the board of directors of Liberty Mutual Insurance Company at a meeting duly called and held on the 12th day of March, 1980.

VOTED that the facsimile or mechanically reproduced signature of any assistant secretary of the company wherever appearing upon a certified copy of any power of attorney issued by the company, shall be valid and binding upon the company with the same force and effect as though manually affixed.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the said company, this 14th day of October, 19 98.



[Signature]
Assistant Secretary

Not valid for mortgage, note, loan, letter of credit, bank deposit, currency rate, interest rate or residual value guarantees.

To confirm the validity of this Power of Attorney call 1-810-920-0210 between 9:00 am and 4:30 pm EST on any business day.

AFFIDAVIT OF PUBLICATION

PUBLIC NOTICE

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 8 (Eight) consecutive issues, and that the first publication was on the 4th day of June, 1998 and that the last publication of such notice was in the issue of such newspaper dated the 30th day of June, 1998.

Kevin Ashby
Kevin Ashby - Publisher

Subscribed and sworn to before me this 30th day of June, 1998.

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

Publication fee, \$1104.00

Canyon Fuel Company, LLC has filed a significant revision to the Dugout Canyon Mine approved Mining Reclamation Plan No. ACT / 007 / 039; with the State of Utah, Department of Natural Resources, Division of Oil, Gas and Mining. The revision includes expanding the currently approved disturbed area of the Dugout Canyon Mine from 10.4 acres to 22.1 acres. This acreage includes two acres for the storage of topsoil recovered during initial construction activities. The Dugout Canyon Mine will be located in Dugout Canyon approximately 13 miles northeast of Wellington, Utah. The Dugout Canyon Mine will be accessed from a county road that connects to the Nine Mile Road approximately 4 miles north of Wellington, Utah.

A portion of the mine facility and topsoil storage area would be located within 100 feet of the Carbon County public road. There are no plans to relocate or close the public road. The mine facilities will not interfere with public use of the county road.

At the conclusion of all mining activities, all surface facilities will be removed and the area regraded to approximate original contour. The disturbed area will be revegetated to promote successful growth as per the approved reclamation plan. The postmining use of the land will return to its current use as wildlife habitat, livestock grazing and recreational activities.

Legal Description

Lease ML 42648-(3640 acres)- Approved

T 13 S. R 12E., SLBM, Utah

- Section 3: Lots 1,2,3,4, S 1/2 (all)
- Section 4: Lots 1,2,3,4, S 1/2 (all)
- Section 5: Lots 1,2, SE 1/4
- Section 9: All
- Section 10: N 1/2
- Section 11: N 1/2

Fee land owned by Canyon Fuel Company, (800 acres) as described below:

- T. 13S., R 12E., SLBM, Utah
- Section 16: All
- Section 23: E 1/2 NW1/4; W 1/2 NE 1/4

Bureau of Land Management, Right-of-Way (10 acres), approval pending:

- T. 13S, R12E, SLBM, Utah
- Section 23: NE1/4 NW1/4 NW1/4 SW1/4; N1/2 NE1/4 NW1/4 SW1/4; SE1/4 NW1/4 NW1/4 SW1/4

Topsoil Storage Area - (2 acres)

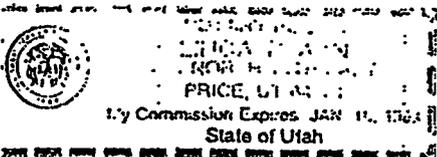
- T. 14S, R12E, SLBM, Utah
- Section 8: W1/2 NW1/4 NE1/4

The name and business address of the applicant is:
Canyon Fuel Company, LLC-Soldier Canyon Mine
6955 South Union Park Center, Suite 540
Midvale, Utah 84047
Phone: (801) 569-4700

After filing, copies of the permit 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 Recorders Office, Carbon County Courthouse, Price, Utah.

Written comments, objections or requests regarding this mining permit application 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 Sun Advocate June 4, 9, 11, 16, 18, 23, 25 and 30, 1998.





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

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

Michael O. Leavitt
Governor
Lowell P. Braxton
Division Director

October 16, 1998

To: File

From: Pamela Grubaugh-Littig, Permit Supervisor 

Re: 510 (c) Recommendation for New Permit, Dugout Canyon Mine, Canyon Fuel Company, LLC, ACT/007/039, Folder #5, Carbon County, Utah

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 the Dugout Canyon Mine. 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 is an OSM recommendation from the Applicant Violator System with an OSM "issue" recommendation for the Dugout Canyon Mine.

O:\007039.DUG\FINAL\AVS.WPD

Applicant Evaluation

Applicant Violator System

16-Oct-1998 11:45:32

State : UT Permit No : ACT007039

App1 No : ACT007039

Applicant : 142816(CANYON FUEL CO LLC)

Seqno : 0

SYSTEM RECOMMENDATION IS BASED ON ENTITY OFT

SYSTEM RECOMMENDATION	: ISSUE	10/16/1998
PREVIOUS SYSTEM RECOMMENDATION	: ISSUE	10/07/1998

RCM_MNT(F7) PERMIT/APPL(F8)

PRV_SCR(F3) EVOFT(F5) REPORTS(F9) CHOICES(F10)

CMD KER DDE WINSOCK Node Connected

UT220 80 ONLINE 9 45