



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

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April 11, 2000

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

Re: Correction of Administrative Overview in Decision Document for Federal Lease U07064-027821, Dugout Canyon Mine, Canyon Fuel Company, LLC., ACT/007/039, Outgoing Folder

Dear Mr. Pick:

It was recently brought to our attention that we had made some errors in the Administrative Overview that accompanied the Decision Document for the Dugout Canyon Mine federal lease U07064-027821. Much of the information we used had been carried over from previous permitting actions and did not consider the change to longwall mining that had been approved in May of 1999. We have now revised the Administrative Overview and the Mine Plan Information sheets to more accurately describe the situation at this mine. A copy is enclosed for your records. Please replace the revised pages in your copy of the March 30, 2000 Decision Package. All other parts of the Decision Package remain the same and there is no change to the Permit. We apologize for any inconvenience this may have caused.

In an effort to make sure this doesn't happen again, we want to make sure our copies of your plans are accurate. We invite your staff to help us in making sure the appropriate information gets incorporated into our copy of your MRP and that it matches your copy as well. Please contact us to make arrangements to do this. We also need to secure additional copies of your MRP for the BLM and OSM since the mine is now operating on federal lands.

If you have any questions, please call.

Sincerely,

Daron R. Haddock  
Permit Supervisor

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Enclosure

cc: Joe Wilcox, OSM  
Ken Payne, Canyon Fuel Co.  
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## ADMINISTRATIVE OVERVIEW

Canyon Fuel Company, LLC  
Dugout Canyon Mine Federal Lease  
ACT/007/039  
Carbon County, Utah

March 30, 2000

### PROPOSAL

Canyon Fuel Company, LLC proposes to add Federal Lease U07064-027821 to the existing Dugout Canyon mining operation in Carbon County, Utah which is located approximately 11 miles northeast of Wellington, Utah. The proposal will add approximately 3134 acres to the existing permit area and bring the total permitted acreage of the mine to 7169 acres. The Federal lease consists of 2416.14 acres and is part of the Soldier Creek Logical Mining Unit (LMU). Additional surface area (728 acres) is being permitted to allow the Canyon Fuel Company to mine up to the lease boundary and still have potential surface subsidence area within the permit boundary.

The proposed new permit area will be mined as an extension of the existing Dugout Canyon Mine and no new surface facilities are proposed.

### 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 was never 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.

An application to permit the Dugout Canyon Mine 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 which would increase the disturbed area to 20.1 acres. This was approved on October 16, 1998. Room and Pillar mining methods were initially used at the mine, but in May of 1999 the mine was authorized to convert to Longwall mining methods. Canyon Fuel is currently

developing longwall panels in hopes of reaching production of 3.5 to 4.0 million tons per year.

### ANALYSIS

The existing permit area consists of parts of two state coal leases, ML-42648 and ML-42649, some fee leases (owned by Canyon Fuel) and a 10 acre BLM Right-of-Way encompassing a total of 4035 acres. The proposed permit expansion will add 3134 acres bringing the total permit acreage to 7169 acres. 2416 acres of this will be the federal lease and approximately 728 acres will be added for a subsidence buffer zone area.

Canyon Fuel Company, LLC plans to use longwall mining methods in the new federal lease area. While mining in the existing State and fee leases is primarily in the Rock Canyon Seam, mining in the federal lease area will be primarily in the Gilson seam. Production is anticipated to reach approximately 2 million tons this year and then increase to somewhere between 3.5 and 4.0 million tons per year. Estimated reserves in the new federal lease area are estimated to be approximately 29 million tons bringing the total recoverable coal for the mine to approximately 45 million tons.

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. No additional surface facilities or disturbances are planned as part of this Federal Lease addition.

### RECOMMENDATION

This recommendation is based on the complete permit application package (PAP), the Technical Analysis (TA) conducted by the Division, the revised Cumulative Hydrologic Impact Assessment CHIA also prepared by the Division, and the administrative record. Canyon Fuel Company, LLC has demonstrated that mining within the Federal Lease U07064-027821 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 reports no violations for Canyon Fuel Company, LLC.

It is recommended that approval be given for the addition of the 3134 acres, which includes Federal Lease U07064-027821, to the Dugout Canyon mine.

MINE PLAN INFORMATION

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

Permittee: Canyon Fuel Company, LLC County: Carbon

Controlled By: Arch Western Resources, Inc Contact Person(s): Richard Pick

Telephone: (801) 569-4700 Position: President

New/Existing: Both Mining Method: Longwall

Federal Lease No(s): U-07064-027821

Legal Description(s): T. 13S. R. 12E., Sec. 13: S1/2, Sec 23: E1/2E1/2, W1/2SE1/4, NE1/4SW1/4, Sec. 24: All, Sec. 25: N1/2N1/2, Sec. 26: N1/2NE1/4 T.13S. R. 13E. Sec. 18: lots 3, 4, E1/2SW1/4, SE1/4, Sec.19: lots 1-4, E1/2W1/2, NE1/4, NW1/4SE1/4, Sec. 30: lot 1

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>10</u>	<u>566</u>	<u>576</u>
State	<u>920</u>	<u>0</u>	<u>920</u>
Private	<u>3105</u>	<u>2568</u>	<u>5673</u>
Other			
TOTAL	<u>4035</u>	<u>3134</u>	<u>7169</u>

Coal Ownership (acres):

Federal	<u>0</u>	<u>2416</u>	<u>2416</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>2416</u>	<u>6441 *</u>

\*The difference between surface and coal ownership acreage results from additional surface area being permitted to provide a surface subsidence buffer zone area. (Approximately 728 acres)

<u>Disturbed Acres</u>	<u>20.1</u>	<u>0</u>	<u>20.1</u>
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Minable Coal (tons)

Federal	<u>0</u>	<u>29 million</u>	<u>29 million</u>
Non- Federal	<u>16 million</u>	<u>0</u>	<u>16 million</u>
TOTAL	<u>16 million</u>	<u>29 million</u>	<u>45million</u>

Recoverable Reserve Data

	<u>Name</u>	<u>Thickness</u>	<u>Depth</u>
Seam	<u>Rock Canyon</u>	<u>6' - 10'</u>	<u>600' - 2400'</u>
Seam	<u>Gilson seam</u>	<u>6' - 16'</u>	<u>500' - 2500'</u>

Mine Life: 1998-2018 \*

Average Annual Production: 3.5 - 4.0 Million Tons

Date Projected Annual Rate Reached: 2001

\*Canyon Fuel Company, LLC is in the process of setting up for longwall mining and production is planned to increase accordingly.