



Canyon Fuel Company, LLC  
Soldier/Dugout Canyon Mine  
P.O. Box 1029  
Wellington, Utah 84542  
(435)637-6360 Fax: (435)636-2897

INCOMING  
0070039

June 24, 2003

Mr. Don Ostler, P.E. Director  
Department of Environmental Quality  
Division of Water Quality  
288 North 1460 West  
Salt Lake City, UT 84114-4870

RE: UPDES Permit UTG-040020

Dear Mr. Ostler:

Canyon Fuel Company, LLC, Dugout Canyon Mine is providing the required written notification of a failure to comply with the daily maximum of 1.0 mg/l of total iron according to UPDES Discharge Permit UTG-040020, Part II, Section D, Subpart 1 and the Utah Mining Rules R645-301-731.223. The failure occurred at Discharge No. 001A, Mine Discharge.

This exceedance of the Dugout Canyon Mine's UPDES Permit is due to the pumping of the water from the old Knight Mine workings in the Gilson Seam. For more details concerning the water being pumped from the old workings please refer to attached letters dated May 28, 2003 and June 11, 2003.

Should you have any questions concerning these reports, please call myself at (435)636-2869 or Dave Spillman at (435) 636-2872.

Sincerely yours,

Vicky S. Miller

cc: Dave Spillman  
Mike Herkimer, DEQ  
Pete Hess, UDOGM  
Pam Grubaugh-Littig, UDOGM

RECEIVED

JUN 26 2003

DIV. OF OIL, GAS & MINING



Canyon Fuel Company, LLC  
Soldier/Dugout Canyon Mine  
P.O. Box 1029  
Wellington, Utah 84542  
(435)637-6360 Fax: (435)636-2897

May 28, 2003

Mr. Don Ostler, P.E. Director  
Department of Environmental quality  
Division of Water Quality  
288 North 1460 West  
Salt Lake City, UT 84114-4870

RE: UPDES Permit UTG-040020 - Gilson Seam, Old Knight Mine Workings

Dear Mr. Ostler:

Canyon Fuel Company, LLC, Dugout Canyon Mine needs to discharge approximately nine million gallons of water from the old workings of the Knight Ideal Mine (Gilson Seam). We initially drained these workings during an emergency situation in August of 2002. It was presumed at that time, that the workings would fill again, but we were unsure as to what the inflow rate might be.

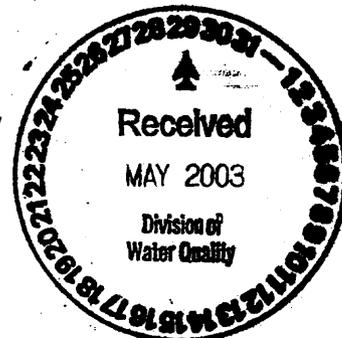
In the past, we've been able to maintain acceptable water levels in the old workings while complying with our UPDES permit limitations. However, our current active mine workings have expanded and are now producing more water with higher TDS concentrations. This inflow will only allow us to discharge at a rate of approximately 70 gpm to remain in compliance with our UPDES permit. At this limited rate, we've had to discontinue drainage from the old workings in order to remain in compliance with our permit limitations. To address this issue in the future, we are preparing an individual permit application, which hopefully will enable us to discharge sufficient water to handle both the in-mine inflow and the recharge from the old Knight Mine workings. By continuously removing water in the future at a consistent rate from the old Knight Mine workings, Dugout Canyon Mine will avoid similar compliance situations.

The water in the old workings is rapidly approaching an unsafe level, creating a safety hazard to the personnel working in the Dugout Mine. We propose to initiate a discharge the nine million gallons as soon as possible and complete this discharge within a 30-day period. We would appreciate your acknowledgment of our proposed discharge at your earliest convenience.

Sincerely,

Reid W. Olsen  
General Manager

cc: Dave Spillman  
Vicky Miller  
Pete Hess





**Canyon Fuel Company, LLC**  
Soldier Canyon Mine  
P.O. Box 1029  
Wellington, Utah 84542  
(435) 637-6360 Fax: (435) 637-0108

June 11, 2003

Mr. Don Ostler, P.E. Director  
Department of environmental Quality  
Division of Water Quality  
288 North 1460 West  
Salt Lake City, UT 84114-4870

RE: UPDES Permit UTG-040020

Dear Mr. Ostler:

Per our letter dated May 28, 2003, we have begun the discharge of approximately nine million gallons of water from the old workings of the Knight Ideal Mine (Gilson Seam). The water is being discharged from Outfall 001 at approximately 350 gpm. A sample of the water was taken and will be analyzed for UPDES parameters.

Our field testing estimates the TDS to be somewhere in the range of 1300 -1500, the exact/final amount will be determined by the laboratory. At the estimated TDS level and the pumping rate we are not in compliance with our permitted one ton per day limitation. Canyon Fuel Company, LLC, Dugout Canyon Mine is therefore providing the required written notification of a failure to comply with the maximum daily tonnage for fixed dissolved solids according to UPDES Discharge Permit UTG-040020, Part II, Section D, Subpart 1 and the Utah Mining Rules R645-301-731.223.

We initially drained these workings during an emergency situation in August of 2002. The water in the old workings is again rapidly approaching an unsafe level, creating a safety hazard to the personnel working in the Dugout Mine.

By continuously removing water in the future at a consistent rate from the old Knight Mine workings, Dugout Canyon Mine will avoid similar compliance situations.

Sincerely,

Vicky S. Miller

cc: Dave Spillman  
Chris Hansen  
Pete Hess