



Canyon Fuel Company, LLC
Soldier/Dugout Canyon Mines
P.O. Box 1029
Wellington, Utah 84542

March 31, 2004

Ms. Pamela Grubaugh-Littig
Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114-5801

*Incoming
C/007/0039*

RE: Revision to Bond, Chapter 5, Appendix 5-6, Dugout Canyon Mine, Canyon Fuel Company, LLC, C/007/039, Carbon County, Utah

Dear Ms. Grubaugh-Littig:

Attached please find four copies of an amendment to address the bond amount associated with the reclamation agreement bond rider. The currently approved bond amount in the Dugout M&RP is \$1,997,000. In conjunction with the revised reclamation agreement between UDOGM and Canyon Fuel Company, LLC (Dugout Canyon Mine) the bond rider was written for \$2,400,000 to cover the bonding for reclamation of methane degas wells to be permitted and drilled within the next year to year and a half. As you are aware bonding costs are escalating and bonding companies are declining new bonds, therefore we found it prudent to retain the additional bonding to cover planned future work.

A copy of this submittal has been delivered to the Price field office.

Thank you for your assistance and if you have any questions, please call me at (435) 636-2869.

Sincerely yours,

Vicky S. Miller

Vicky S. Miller

cc: Dave Spillman (enclosures)
Pete Hess (enclosures)

RECEIVED

MAR 31 2004

DIV. OF OIL, GAS & MINING

APPLICATION FOR COAL PERMIT PROCESSING

Permit Change New Permit Renewal Exploration Bond Release Transfer

Permittee: Canyon Fuel Company, LLC

Mine: Dugout Canyon Mine

Permit Number: C/007/039

Title: Revisions to Bond, Chapter 5, Appendix 5-6

Description, Include reason for application and timing required to implement:

Instructions: If you answer yes to any of the first eight (gray) questions, this application may require Public Notice publication.

- Yes No 1. Change in the size of the Permit Area? Acres: _____ Disturbed Area: _____ increase decrease.
- Yes No 2. Is the application submitted as a result of a Division Order? DO# _____
- Yes No 3. Does the application include operations outside a previously identified Cumulative Hydrologic Impact Area?
- Yes No 4. Does the application include operations in hydrologic basins other than as currently approved?
- Yes No 5. Does the application result from cancellation, reduction or increase of insurance or reclamation bond?
- Yes No 6. Does the application require or include public notice publication?
- Yes No 7. Does the application require or include ownership, control, right-of-entry, or compliance information?
- Yes No 8. Is proposed activity within 100 feet of a public road or cemetery or 300 feet of an occupied dwelling?
- Yes No 9. Is the application submitted as a result of a Violation? NOV # _____
- Yes No 10. Is the application submitted as a result of other laws or regulations or policies?
Explain: _____
- Yes No 11. Does the application affect the surface landowner or change the post mining land use?
- Yes No 12. Does the application require or include underground design or mine sequence and timing? (Modification of R2P2)
- Yes No 13. Does the application require or include collection and reporting of any baseline information?
- Yes No 14. Could the application have any effect on wildlife or vegetation outside the current disturbed area?
- Yes No 15. Does the application require or include soil removal, storage or placement?
- Yes No 16. Does the application require or include vegetation monitoring, removal or revegetation activities?
- Yes No 17. Does the application require or include construction, modification, or removal of surface facilities?
- Yes No 18. Does the application require or include water monitoring, sediment or drainage control measures?
- Yes No 19. Does the application require or include certified designs, maps or calculation?
- Yes No 20. Does the application require or include subsidence control or monitoring?
- Yes No 21. Have reclamation costs for bonding been provided?
- Yes No 22. Does the application involve a perennial stream, a stream buffer zone or discharges to a stream?
- Yes No 23. Does the application affect permits issued by other agencies or permits issued to other entities?

Please attach four (4) review copies of the application. If the mine is on or adjacent to Forest Service land please submit five (5) copies, thank you. (These numbers include a copy for the Price Field Office)

I hereby certify that I am a responsible official of the applicant and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein

David Spillman
Print Name

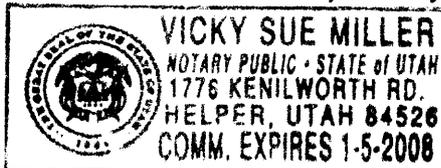
David Spillman Engineering Manager
Sign Name, Position, Date

3/31/04

Subscribed and sworn to before me this 31 day of MARCH, 2004

Vicky Sue Miller
Notary Public

My commission Expires: 1-5, 2008
Attest: State of UTAH } ss:
County of CARBON



For Office Use Only:	Assigned Tracking Number:	Received by Oil, Gas & Mining
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Bonding Calculations

Direct Costs

Subtotal Demolition and Removal	\$910,523.00
Subtotal Backfilling and Grading	\$522,635.00
Subtotal Revegetation	\$354,797.00
Direct Costs	\$1,787,955.00

Indirect Costs

Mob/Demob	\$178,796.00	10.0%
Contingency	\$89,398.00	5.0%
Engineering Redesign	\$44,699.00	2.5%
Main Office Expense	\$121,581.00	6.8%
Project Mainagement Fee	\$44,699.00	2.5%
Subtotal Indirect Costs	\$479,173.00	26.8%

Total Cost	\$2,267,128.00
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Escalation factor		0.0289
Number of years		2
Escalation	\$132,934.00	

Reclamation Cost Escalated	\$2,400,062.00
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Bond Amount (rounded to nearest \$1,000) 2005 Dollars	\$2,400,000.00
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Ref.	Description	Materials	Means Reference Number	Unit Cost	Unit	Length	Width	Height	Diameter	Area	Volume	Weight	Density	Time	Number	Unit	Swell Factor	Quantity	Unit	Cost	
	Methane Degas/Exploration Wells 45																				
	Structure's Demolition Cost	Plug Well	AML3	5000	EA.											1	EA		16	EA	80000
	Structure's Vol. Demolished																				
	Rubble's Weight (exclude steel)																				
	Truck's Capacity																				
	Haulage																				
	Transportation Cost Non Steel Truck																				
	Transportation Cost Non Steel Drive																				
	Disposal Cost Non Steel																				
	Steel's Weight																				
	Truck's Capacity																				
	Haulage																				
	Transportation Cost Steel Truck																				
	Transportation Cost Steel Truck Drive																				
	Disposal Cost Steel																				
	Subtotal																			80000	
	Fence																				
	Silt Fence	Silt fence	02370 550 1100	0.97	LF	18960										FT		18960	FT	18391	
	Chicken Wire Fence	Fence Chicken Wire	02820 500 0100	6.55	LF	18960										FT		18960	FT	124188	
	Subtotal																			142878	
	Concrete Demolition																				
	Demolition Cost																				
	Concrete's Vol. Demolished																				
	Loading Cost																				
	Transportation Cost																				
	Disposal Costs																				
	Subtotal																				
	Concrete Demolition																				
	Demolition Cost																				
	Concrete's Vol. Demolished																				
	Loading Cost																				
	Transportation Cost																				
	Disposal Costs																				
	Subtotal																				
	Concrete Demolition																				
	Demolition Cost																				
	Concrete's Vol. Demolished																				
	Loading Cost																				
	Transportation Cost																				
	Disposal Costs																				
	Subtotal																				
	Total																			222878	

Page 46A

Ref.	Description	Materials	Reference Number	Unit Cost	Unit	Length	Width	Height	Diameter	Area	Volume	Weight	Density	Time	Number	Unit	Swell Factor	Quantity	Unit	Cost
	Methane Degas/Exploration Wells	Revegetation		\$4,800.00	EA													16	EA	76800
	Soil Preparation																			
	Packing	Excavation Bulk Bank 2 CY (322BL)	02315 400 0260														AC	0	CY	0
	Subtotal																			0
	Seed Mix No 1																			
	Hydroseed Equipment and Labor	Hydro Spreader (equip. & labor) B-81	Reveg005														AC	0	MSF	0
	Hydroseed Material	Dugout Seed Mix No 1	Dugout 07391														AC	0	AC	0
	Subtotal																			0
	Dred. Vegetation																			
	Reseeding																			
	Assume 25% reveg rate																			
	Total																			76800

Page 59