

**Canyon Fuel Company, LLC**  
 Soldier/Dugout Canyon Mines  
 P.O. Box 1029  
 Wellington, Utah 84542  
 Phone: (435) 637-6360  
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Reid W. Olsen  
 General Manager

RECEIVED

APR 06 2004

DIV. OF OIL, GAS & MINING

April 1, 2004

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

*Spillman*  
*4/007/0039*

RE: Drilling Gil-2 Gob Vent Borehole into the Gil-1 Longwall Panel of Lease U-07064-027821

Dear Ms. Grubaugh-Littig:

Current safety and health concerns related to hydrogen sulfide and methane liberations in the Gil-1 longwall panel of the Dugout Canyon Mine has made it necessary to immediately drill the second gob vent borehole for this panel.

Permit approvals were obtained for this drilling during 2003 and the first gob vent borehole was completed in November 2003. The site for the second borehole was prepared last year but adverse weather conditions prevented the hole from being drilled. No work has been done as of yet for the third approved borehole.

Due to the aforementioned safety and health concerns, activities are underway at this time to prepare for immediate drilling.

If you have questions or need additional information related to this matter, please feel free to contact me, or David Spillman, Manager-Technical Services at (435) 636-2872, or Vicky Miller, Permitting Specialist at (435) 636-2869.

Sincerely,

*R. W. Olsen*

R. W. Olsen

XC: Pete Hess - DOGM (Price office)  
 V. Miller  
 D. Spillman  
 C. File - DOGM 2004 (Drilling)