0043

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

July 8, 2004

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

Incoming
C/007/0039

RE: Degassification Wells G-4, G-5 and G-6 Amendment, Revisions to Chapters 2, 3 and 4, Canyon Fuel Company, LLC, Dugout Canyon Mine, C/007/039

Dear Ms. Grubaugh-Littig:

Enclosed please find four copies of the submittal to address the drilling of three methane degassification wells in 2004 at the Dugout Canyon Mine. This information is being provided to address questions/concerns of UDOGM personnel. This information is to be incorporated into or replace information in the currently approved document binder for Degassification Wells G-1, G-2 and G-3.

Disturbed acreage for each well will be included in the total in Chapter 1 of the M&RP once they have been drilled.

An additional copy of the submittal has been delivered to the Price Field Office.

Please contact Vicky Miller at (435) 636-2869, if there are any questions concerning this submittal.

Sincerely yours,

Vicky S. Miller

Vicky S. Miller

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

RECEIVED
JUL 08 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: Degassification Wells G-4, G-5 anf G-6 Amendment, Revisions Chapters 2, 3, and 4
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: 2.65 ☒ 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.

REID W. OLSEN — Print Name
R. W. Olsen Gen Mgr. 7/8/04 — Sign Name, Position, Date

Subscribed and sworn to before me this 8 day of JULY, 2004
Vicky Sue Miller — Notary Public
My commission Expires: 1-5, 2008
Attest: State of UTAH } ss:
County of CARBON

VICKY SUE MILLER
NOTARY PUBLIC • STATE of UTAH
1776 KENILWORTH RD.
HELPER, UTAH 84526
COMM. EXPIRES 1-5-2008

For Office Use Only:	Assigned Tracking Number:	Received by Oil, Gas & Mining
		RECEIVED JUL 08 2004 DIV. OF OIL, GAS & MINING

Form DOGM- C1 (Revised March 12, 2002)

APPLICATION FOR COAL PERMIT PROCESSING
Detailed Schedule Of Changes to the Mining And Reclamation Plan

Permittee: Canyon Fuel Company, LLC
Mine: Dugout Canyon Mine **Permit Number:** C/007/039
Title: Degassification Wells G-4, G-5 and G-6 Amendment, Chapters 2, 3, and 4

Provide a detailed listing of all changes to the Mining and Reclamation Plan, which is required as a result of this proposed permit application. Individually list all maps and drawings that are added, replaced, or removed from the plan. Include changes to the table of contents, section of the plan, or other information as needed to specifically locate, identify and revise the existing Mining and Reclamation Plan. Include page, section and drawing number as part of the description.

			DESCRIPTION OF MAP, TEXT, OR MATERIAL TO BE CHANGED
☐ Add	☒ Replace	☐ Remove	Degas Wells - Chapter 2, Pages 2-3, 2-6 and 2-12
☒ Add	☐ Replace	☐ Remove	Degas Wells - Chapter 2, Attachment 2-1 add to back of existing information
☒ Add	☐ Replace	☐ Remove	Degas Wells - Chapter 2, Attachment 2-2, add to the back of existing information
☐ Add	☒ Replace	☐ Remove	Degas Wells - Chapter 3, Page 3-11
☒ Add	☐ Replace	☐ Remove	Degas Wells - Chapter 4, Attachment 4-2, add to back of existing information
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Any other specific or special instruction required for insertion of this proposal into the Mining and Reclamation Plan.

7/8/04 The Degassification Amendment is a stand alone document, pages in this submittal will be incorporated into the existing binder.

Received by Oil, Gas & Mining

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JUL 08 2004
DIV. OF OIL, GAS & MINING

G-2	3,104
G-3	1,182
G-4	1,100
G-5	1,909
G-6	792

Figure 5-1 through Figure 5-25 show the layout and approximate size of each well pad. Topsoil volume calculations can be found in Attachment 2-2.

Estimated topsoil salvage from the G-1 well site will average about 7". This site on a ridge top has previously been disturbed for exploration drilling. The site has pockets of fractured sandstone bedrock at the surface and stony subsoils, which are the limiting factors in the quantity of salvageable topsoil. The average topsoil depth at well site G-2 is 30". The average topsoil thickness for well site G-3 is 10". However, enough soil will be stripped to allow 12" of soil to be placed during reclamation. Thus some subsoils will be stripped with the topsoil to generate the required volume. The estimated topsoil salvage from well site G-4 area will be 28" except on the area of the exiting road(s). The average salvageable topsoil at well site G-5 is 22". Well site G-6 will be established on a pre-existing drill pad, with a portion of the new pad extending onto undisturbed area. Topsoil on the pre-existing drill pad ranges from 0 to 30 inches, on the north edge in from 20 to 28 inches and on the cut slope on the south edge from 6 to 30 inches. The slope will be restored to original contour with the application of topsoil, the entire site will receive at least 12 inches of topsoil. Twelve inches was used to calculate the volume of topsoil to be salvaged and to determine the size of the topsoil pile for drill site G-6. Available topsoil at each site will be salvaged, stockpiled and redistributed.

223 Soil Characterization

The topsoil evaluation described in this chapter was performed by Daniel M. Larsen, Professional Soil Scientist in accordance with the standards of the National Cooperative Soil Survey.

TABLE 2-2

Topsoil Stockpile Dimensions*

Well No.	Length (ft)	Width (ft)	Height (ft)
G-1	55	35	16
G-2	156	50	20
G-3	70	60	17
G-4	110	35	17
G-5	90	65	21
G-6	105	30	13

* These are approximate dimensions of the topsoil stockpile and construction dimensions may vary.

See Section 234.200 for detailed information on the topsoil stockpile(s).

232 Topsoil and Subsoil Removal

232.100 Topsoil Removal and Segregation

All topsoil will be removed as a single layer with no segregation. Topsoil will be removed using a dozer and/or loader. Refer to Section 231.100 for additional details.

232.200 Poor Topsoil

No poor soils exist at the well sites see Attachment 2-1.

232.300 Thin Topsoil

Not applicable see Attachment 2-1.

243 Soil Nutrients and Amendments

The soils will be analyzed directly following salvage to determine if amendments are needed. Testing of the topsoil will be done according to Table 6 of the Division's Topsoil and Overburden Guidelines. The topsoil will be tested at a minimum for the following parameters: pH, electrical conductivity, total carbon, SAR, water holding capacity, plant available nitrogen, and phosphorus. Results of these analyses will be incorporated into Attachment 2-2.

244 Soil Stabilization

244.100 Protection and Stabilization of Surface Area

All reclaimed areas will be stabilized to control erosion by application of mulch, tackifier, and roughening of the surface. The areas will be graded to the approximately original topographic configuration. Seeding will be accomplished with the application of seeds and mulch with a long fiber tackifier or broadcast. Methods of protection and stabilization are further discussed in Chapter 3, Section 341.

244.200 Mulch Application

Mulch/tackifier will be applied to stabilize the soil on all areas that have been regraded and covered with growth media. For further discussion of revegetation practices to be utilized, see Chapter 3, Section 341.

244.300 Rills and Gullies

Postmining Land Use and Revegetation - Rills and gullies that are approximately nine (9) inches in depth and disrupt the postmining land use or reestablishment of vegetative cover will be regraded and seeded.

ATTACHMENT 2-1

SOIL INVENTORY AND ASSESSMENT

add to the back of existing information

The potential plant community on the Senchert family soil is 60 percent grasses, 25 percent forbs, and 15 percent shrubs. Among the important plants are Thurber fescue, mountain brome, slender wheatgrass, aspen peavine, and mountain big sagebrush.

Management practices that maintain or improve the rangeland vegetation include proper grazing use, a planned grazing system, and proper location of water developments. If the desirable forage plants are mostly depleted, brush management and seeding can be used to improve the rangeland vegetation. Suitable brush management practices include prescribed burning, chemical spraying, and mechanical treatment.

The suitability of the Senchert family soil for rangeland seeding is good. Plants suitable for seeding include adapted native plants and smooth brome, regar brome, alfalfa, and bitterbrush.

This map unit is in capability subclass VIe, nonirrigated. The Senchert soil is in the High Mountain Stony Loam (Engelmann Spruce) woodland site. The Senchert family soil is in the High Mountain Loam (Thurber Fescue) range site.

103—Senchert-Toze family complex. This map unit is on north, east, and west aspects of mountain slopes. It is in the vicinity of the Patmos Head, Mount Bartles, and Jump Creek. Slopes are 15 to 35 percent. The present vegetation is mainly aspen, white fir, and Douglas-fir. Elevation is 7,500 to 9,500 feet. The average annual precipitation is about 20 to 25 inches, the average annual air temperature is 36 to 38 degrees F, and the average freeze-free period is 40 to 60 days.

This unit is 50 percent Senchert loam, clayey substratum, 15 to 30 percent slopes; 30 percent Toze family loam, 15 to 35 percent slopes; and 20 percent other soils. The Senchert soil is in plane areas, and the Toze family soil is in concave areas. The components of this unit are so intricately intermingled that it was not practical to map them separately at the scale used.

Included in this unit are about 5 percent soils that are similar to the Senchert soil but are 40 to 60 inches thick; 5 percent Podo gravelly sandy loam, dry, 8 to 30 percent slopes, on canyon rims; 5 percent Trag clay loam in small sagebrush parks; and 5 percent soils that are similar to the Toze family soil but have slopes of 35 to 50 percent.

The Senchert soil is moderately deep and well drained. It formed in residuum and colluvium derived dominantly from sandstone and shale. Slopes are 300 to 400 feet long and are concave. Typically, the surface is covered with a mat of partially decomposed leaves, twigs, and needles about 1 inch thick. The surface layer is very dark grayish brown loam 4 inches thick. The subsoil is grayish brown clay loam about 14 inches thick. The substratum to a depth of 25 inches is light brownish gray silty clay over calcareous sandstone. Depth to sandstone ranges from 20 to 40 inches.

Permeability of the Senchert soil is moderately slow. Available water capacity is about 3.5 to 5.0 inches. Water supplying capacity is 8.5 to 12.0 inches. Effective rooting depth is 20 to 40 inches. The organic matter content of the surface layer is 5 to 10 percent. Runoff is slow, and the hazard of water erosion is moderate.

The Toze family soil is very deep and well drained. It formed in colluvium derived dominantly from sandstone, siltstone, and shale. Slopes are 200 to 400 feet long and are concave. Typically, the surface is covered with a mat of leaves, twigs, and needles about 1 inch thick. The upper 3 inches of the surface layer is dark grayish brown loam, and the lower 22 inches is dark grayish brown loam and gravelly silt loam. The next layer is grayish brown gravelly silt loam about 8 inches thick. Below this to a depth of 60 inches or more is pale brown very gravelly fine sandy loam. A layer of calcium carbonate accumulation is at a depth of about 24 inches.

Permeability of the Toze family soil is moderate. Available water capacity is about 6 to 9 inches. Water supplying capacity is 11 to 18 inches. The organic matter content of the surface layer is 3 to 5 percent. Effective rooting depth is 60 inches or more. Runoff is medium, and the hazard of water erosion is moderate.

This unit is used as rangeland, woodland, wildlife habitat, and recreation areas.

The potential vegetation on the Senchert and Toze family soils includes an overstory of Douglas-fir with a canopy of 60 percent. The understory vegetation is 10 percent grasses, 5 percent forbs, and 85 percent shrubs. Among the important plants are sedges, mountainlover, snowberry, Oregon-grape, and quaking aspen.

The site index for aspen is 50. Average yield is about 27,200 board feet per acre of trees 12 inches in diameter or more. The unit is moderately limited for producing and harvesting wood products because of the steepness of slope, the hazard of erosion, and plant competition during the regeneration of Douglas-fir.

Management practices that maintain or improve the rangeland vegetation on this unit include proper grazing use, a planned grazing system, and proper location of water developments. The suitability for grazing is poor because of the low forage production. If the Douglas-fir is thinned, the desirable plants present can be expected to increase for a short period before Douglas-fir revegetates the unit.

This map unit is in capability subclass VIIe, nonirrigated, and in the High Mountain Loam (Douglas-fir) range site.

104—Senchert family, 3 to 15 percent slopes. This moderately deep, well drained soil is on rolling ridges and plateaus. It is near Steer Ridge, Bruin Point, and Patmos Head. It in formed residuum and alluvium derived dominantly from sandstone and shale. Slopes are 3 to 15 percent, 200 to 300 feet long, and slightly concave to convex. The present vegetation is mainly

ATTACHMENT 2-2

TOPSOIL CALCULATIONS

add to the back of existing information

Inter·Mountain Laboratories, Inc.

1633 Terra Avenue
Sheridan, WY 82801

Report ID: 010317767

Soil Analysis Report

Canyon Fuel Co

Dugout Mine
P.O. Box 1029
Wellington, UT 84542

Client Project ID: Topsoil
Date Received: 10/22/03

Set #0103S17767
Report Date: 11/06/03

Lab Id	Sample Id	pH	EC @ 25°C	Calcium	Magnesium	Sodium	SAR
		s.u.	mmhos/cm	meq/L	meq/L	meq/L	
0103S17767	Degas Well G-2	7.5	0.38	2.54	0.90	0.89	0.68

These results only apply to the samples tested.

Abbreviations for extractants: PE= Saturated Paste Extract, H20Sol= water soluble,AB-DTPA= Ammonium Bicarbonate-DTPA, AAO= Acid Ammonium Oxalate
Abbreviations used in acid base accounting: T.S.= Total Sulfur, AB= Acid Base, ABP= Acid Base Potential, PyrS= Pyritic Sulfur, Pyr+Org= Pyritic Sulfur + Organic Sulfur, Neut. Pot.= Neutralization Potential
Miscellaneous Abbreviations: SAR= Sodium Adsorption Ratio, CEC= Cation Exchange Capacity, ESP= Exchangeable Sodium Percentage

Reviewed By: _____
Joey Sheeley, Soils Lab Supervisor

Inter·Mountain Laboratories, Inc.

Report ID: 010317767

1633 Terra Avenue
Sheridan, WY 82801

Soil Analysis Report
Canyon Fuel Co
Dugout Mine
P.O. Box 1029
Wellington, UT 84542

Client Project ID: Topsoil
Date Received: 10/22/03

Set #0103S17767
Report Date: 11/06/03

Lab Id	Sample Id	TOC	Phosphorus	Nitrogen Nitrate	Field Capacity	Wilting Point
		%	ppm	ppm	%	%
0103S17767	Degas Well G-2	2.3	11.9	0.02	27.7	14.5

These results only apply to the samples tested.

Abbreviations for extractants: PE= Saturated Paste Extract, H20Sol= water soluble,AB-DTPA= Ammonium Bicarbonate-DTPA, AAO= Acid Ammonium Oxalate
Abbreviations used in acid base accounting: T.S.= Total Sulfur, AB= Acid Base, ABP= Acid Base Potential, PyrS= Pyritic Sulfur, Pyr+Org= Pyritic Sulfur + Organic Sulfur, Neut. Pot.= Neutralization Potential
Miscellaneous Abbreviations: SAR= Sodium Adsorption Ratio, CEC= Cation Exchange Capacity, ESP= Exchangeable Sodium Percentage

Reviewed By: _____
Joey Sheeley, Soils Lab Supervisor

Inter-Mountain Laboratories, Inc.

Report ID: 010316668

1633 Terra Avenue
Sheridan, WY 82801

Soil Analysis Report
Canyon Fuel Co
Dugout Mine
P.O. Box 1029
Wellington, UT 84542

Client Project ID: Topsoil
Date Received: 10/07/03

Set #0103S16668
Report Date: 10/23/03

Lab Id	Sample Id	pH	EC @ 25°C	Calcium	Magnesium	Sodium	SAR	Field Capacity	Wilting Point
		s.u.	mmhos/cm	meq/L	meq/L	meq/L		%	%
0103S16668	G3 Topsoil	7.6	0.50	1.32	0.86	1.17	1.12	23.7	17.2
0103S16669	G3 Subsoil	7.6	0.40	1.70	0.35	0.69	0.68	26.5	16.6

These results only apply to the samples tested.

Abbreviations for extractants: PE= Saturated Paste Extract, H20Sol= water soluble,AB-DTPA= Ammonium Bicarbonate-DTPA, AAO= Acid Ammonium Oxalate
Abbreviations used in acid base accounting: T.S.= Total Sulfur, AB= Acid Base, ABP= Acid Base Potential, PyrS= Pyritic Sulfur, Pyr+Org= Pyritic Sulfur + Organic Sulfur, Neut. Pot.= Neutralization Potential
Miscellaneous Abbreviations: SAR= Sodium Adsorption Ratio, CEC= Cation Exchange Capacity, ESP= Exchangeable Sodium Percentage

Reviewed By: _____
Joey Sheeley, Soils Lab Supervisor

Inter-Mountain Laboratories, Inc.

Report ID: 010316668

1633 Terra Avenue
Sheridan, WY 82801

Soil Analysis Report
Canyon Fuel Co
Dugout Mine
P.O. Box 1029
Wellington, UT 84542

Client Project ID: Topsoil
Date Received: 10/07/03

Set #0103S16668
Report Date: 10/23/03

Lab Id	Sample Id	TOC	Phosphorus	Nitrogen Nitrate
		%	ppm	ppm
0103S16668	G3 Topsoil	2.5	7.55	3.72
0103S16669	G3 Subsoil	2.0	3.32	2.48

These results only apply to the samples tested.

Abbreviations for extractants: PE= Saturated Paste Extract, H20Sol= water soluble,AB-DTPA= Ammonium Bicarbonate-DTPA, AAO= Acid Ammonium Oxalate
Abbreviations used in acid base accounting: T.S.= Total Sulfur, AB= Acid Base, ABP= Acid Base Potential, PyrS= Pyritic Sulfur, Pyr+Org= Pyritic Sulfur + Organic Sulfur, Neut. Pot.= Neutralization Potential
Miscellaneous Abbreviations: SAR= Sodium Adsorption Ratio, CEC= Cation Exchange Capacity, ESP= Exchangeable Sodium Percentage

Reviewed By: _____
Joey Sheeley, Soils Lab Supervisor

342 Fish and Wildlife

342.100 Enhancement Measures

Post bond release enhancement measure will include the establishment of vegetation for wildlife food, cover, and the break up of large blocks of monoculture to diversify habitat. In consultation with UDWR (Tony Wright, July 6, 2004) and UDOGM (Jerriann Ernstsen, July 6, 2004) a mitigation project was designated for the Northern Saw Whet Owl to compensate for drilling during the exclusionary period. The project will be completed prior to October 1, 2004. The project will include the construction and installation of 6 to 10 nest boxes on property owned by Canyon Fuel Company, LLC. Because of the UDWR knowledge and experience their personnel will choose the location and install the boxes. Information (goals, procedures, agencies, dates, box locations - township, range, section) concerning the owl mitigation project will be included in the annual report for 2004.

342.200 Plants Used for Wildlife Habitat

Nutritional Value - The nutritional value will be consistent with that of vegetation in the surrounding areas.

Cover - Cover will be comparable to the cover on the associated reference area.

342.300 Cropland

Cropland is not a postming land use.

342.400 Residential, Public Service, and Industrial Land Use

No residential, industrial or public service use is planned.

350 PERFORMANCE STANDARDS

351 General Requirements

Dugout Canyon commits to conduct all operations in accordance with the plans submitted in Sections R645-301-330 through R645-301-340 of the permit application.

ATTACHMENT 4-2

SURFACE LAND OWNER AGREEMENT

add to the back of existing information

ARK LAND COMPANY

JAN L. WOOTON
Senior Property Records Analyst

March 10, 2004

VIA: CERTIFIED MAIL
RETURN RECIEPT REQUESTED

Milton and Ardith Thayn Trust
Attn: David Thayn
7730 East Highway 6
Price, Utah 84501

Re: Dugout Canyon Mine 2004 Drilling Activities

Dear Mr. Thayn,

Per the agreement between the Milton and Ardith Thayn Trust and Ark Land Company, this letter is provided to notify that in 2004 Ark Land Company and the Dugout Canyon Mine currently plan to conduct the following exploration, de-gassing, and permitting activities on the Thayn Lands:

Ark Land Company Activities

The Ark Land exploration activities will include both exploration bore holes and other field exploration activities regarding faults.

As many as three (3) exploration bore holes will be drilled on the Thayn Lands, see enclosed Map 1. These holes will require grading of the access roads, preparation/building of the drill sites, and reclamation of the drill sites and roads as directed by the landowner and permit regulations. In addition, the drilling activities will require obtaining and hauling water from various streams and locations on the Thayn Lands, see Map 1.

The exploration activities pertaining to faults may consist of outcrop mapping/surveying and resistivity surveys. These methods consist of walking over the areas of interest while carrying the required survey equipment and are low impact. Therefore, this work will not require new roads, pads, or other surface disturbances. The areas of this work have not been selected as yet and are not identified on the enclosed maps.

A Subsidiary of
ARCH COAL, INC.

1 CityPlace Drive, Suite 300 St. Louis, Missouri 63141 (314) 994-2944 Fax (314) 994-2940 email: jwooton@archcoal.com

In conjunction with the exploration activities listed above, there will be permitting activities including, but not limited to, endangered plant and animal surveys, environmental assessment activities, and cultural surveys. All of these activities will be conducted by third party contractors and require no surface disturbance.

Dugout Canyon Mine Activities

The Dugout Mine has several activities planned in addition to the normal, ongoing water monitoring and other regulatory activities.

The Dugout Mine is planning to drill as many as five (5) de-gas boreholes to remove methane and other gases from the longwall panel gob areas, see Map 2. Similar to the exploration drilling, these boreholes will require road grading/improvements, site building/preparation, reclamation, and water hauling. Permitting activities similar to those required for the exploration drilling will also be conducted in association with the degas drilling. It has not been determined if all five (5) of the degas boreholes will be drilled or when. However, the Gil-2 hole may be drilled as early as March, 2004. This site was prepared in 2003.

Associated with the degas activities will be the installation of an exhauster-blower unit on one or more of the degas sites to remove the gases from the mine. The number and duration of the installations are unknown at this time. While the exhauster-blower unit(s) is in operation, the unit will require frequent inspections to maintain the unit. These inspections may range from daily to weekly depending on the effort required to maintain the unit(s).

Longwall mining under the Thayn Lands began in February, 2004. Therefore, subsidence monitoring activities will begin in 2004 and will continue on the Thayn Lands through most of the life of the mine. These activities will consist of the installation of survey monuments (rebar) at select locations on the surface with periodic resurveying of the monuments by either the Dugout Mine or a third party. The location of these installations has not been determined as of yet, and these installations will not require surface disturbance.

The Dugout Mine is planning to install a mine ventilation fan in the Pace Canyon, see Map 2. While the fan installation site is located on BLM surface, access to the fan site follows the main road access to the general area and crosses the Thayn Lands. In addition, the property line between the BLM and Thayn is less than 100 ft to the east of the proposed fan location. The Dugout Mine currently expects to begin construction of the site in 2005. Therefore, permitting and pre-construction activities will be carried out

in 2004. These activities may include upgrades and enhancements to the access road that crosses Thayn Lands.

If you have any questions regarding the information or t he maps or have concerns, please contact Mike Stevenson, Senior Geologist for the Dugout Canyon Mine at (435) 448-2634.

Sincerely,

Jan L. Wooton

Cc: Mike Stevenson
Dave Spillman (Dugout Canyon Mine)
Douglas M. Downing