

**UTAH DIVISION OF OIL, GAS AND MINING
STATE DECISION DOCUMENT**

**For
ADDITION OF SITLA LEASE ML-48435**

**Canyon Fuel Company, LLC
Dugout Canyon Mine
C/007/0039
Carbon County, Utah**

June 24, 2005

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Mine # C/007/0039
File Outgoing
Record # 0037
Doc. Date 6-24-05
Recd. Date _____

ADMINISTRATIVE OVERVIEW

Canyon Fuel Company, LLC
Dugout Canyon Mine
C/007/0039
Carbon County, Utah

June 24, 2005

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 never was 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 The permit was not kept active and was revoked on May 19, 1987.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. Canyon Fuel was issued the initial permit for the Dugout Canyon Mine on March 16, 1998 shortly after which construction of the mine commenced. The initial mine encompassed 4025 acres of fee and State land of which 10.4 acres would be disturbed. 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. This was granted on October 16, 1998. On March 31, 2000 the Division approved the addition of 3049 acres (2416 acres of federal lease) to the existing permit area, which brought the total permitted acreage of the mine to 7084 acres. Federal Mine Plan approval was issued on August 2, 2000.

Canyon Fuel Company, LLC recognized the need for a waste rock disposal site and made application on April 22, 2002 to permit a refuse pile area consisting of 26.8 acres of fee land. That addition to the permit brought the total permit area of the Dugout Canyon Mine to 7111 acres and the area disturbed to 48.9 acres.

Canyon Fuel Company, LLC made application to the Division of Oil, Gas and Mining for a five year permit renewal for the Dugout Mine on October 18, 2002. The permit was renewed on March 3, 2003 and the waste rock site was also approved on that date.

PROPOSAL

Canyon Fuel Company, LLC applied to the Division of Oil, Gas, and Mining to add 2,360 acres of SITLA lease (ML-48435) to the Dugout Canyon Mine on January 14, 2004 with all underground workings in the proposal, no surface facilities. This proposal was determined complete on May 17, 2004. Publication for this significant revision was in the Sun Advocate on June 15, 22, 29 and July 6, 2004. There were no public comments.

This proposal would increase the permit area to 9,471 acres and the disturbed acreage is 57.75 acres (this acreage increased from 48.9 due to degas wells drilled in 2004 and 2005 and the Pace Canyon Portal).

ANALYSIS and RECOMMENDATION

This recommendation is based on the complete permit application package (PAP), the Technical Analysis (TA) conducted by the Division, the Cumulative Hydrologic Impact Assessment CHIA also prepared by the Division, and the administrative record. Canyon Fuel Company, LLC has demonstrated that mining at the Dugout Canyon Mine can be done in conformance with the Surface Mining Control and Reclamation Act, and the corresponding Utah Act and performance standards. This proposal was noticed in a local paper for the required four consecutive weeks and comments period. There were no public comments. The 510 (C) report on the Applicant Violator System had no issues.

It is recommended that approval be granted for the addition of 2,360 acres in lease ML-48435 for the Dugout Canyon Mine.

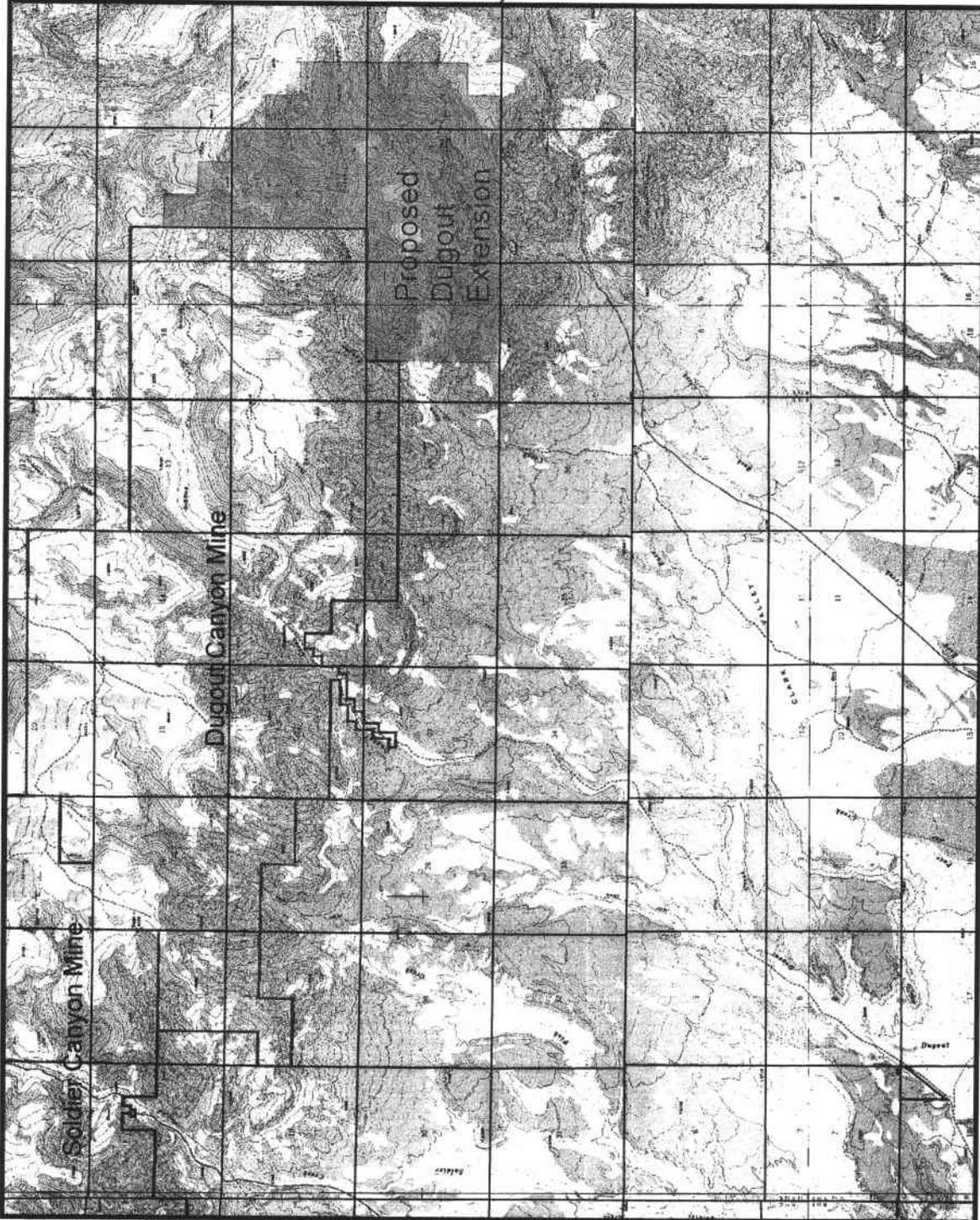
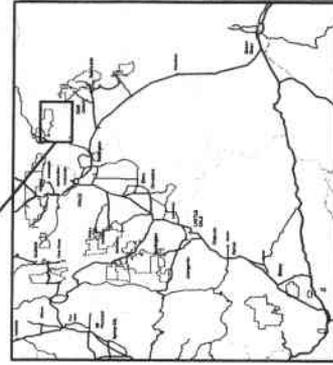
Dugout Canyon Mine

ACT0070039

July 30, 2004

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PERMITTING CHRONOLOGY

Canyon Fuel Company, LLC
Dugout Canyon Mine
C/007/0039
Carbon County, Utah

June 24, 2005

January 14, 2004	Canyon Fuel Company, LLC submits application to permit SITLA lease ML - 48435 and add 2360 acres to the Dugout Canyon Mine.
February 24, 2004	Application for the SITLA lease is determined to be administratively incomplete.
March 26, 2004	Canyon Fuel Company, LLC submits additional information for the SITLA lease application.
April 14, 2004	Application for the SITLA lease is determined to be administratively incomplete after the submittal of additional information.
April 30, 2004	Canyon Fuel Company, LLC submits additional information for the SITLA lease application.
May 17, 2004	Division notifies Canyon Fuel Company, LLC that the Dugout Canyon Mine SITLA lease application is complete.
May 18, 2004	Division notifies federal, state and local agencies that the application to add 2360 acres to the Dugout Canyon Mine is complete and solicits comments from those agencies.
June 15, 22, 29 and July 6, 2004	The Dugout canyon Mine notice of intent to add 2360 acres of SITLA lease ML-48435 is published in the <u>Sun Advocate</u> for four consecutive weeks.
August 6, 2004	End of public comment period. No public comments.
August 20, 2004	SHPO clearance.
November 1, 2004	Division grants extension until November 29, 2004 to address deficiencies identified in the Technical Analysis (TA).

November 16, 2004 Canyon Fuel Company, LLC submits additional technical information for the SITLA lease application.

November 29, 2004 Canyon Fuel Company, LLC submits additional technical information for the SITLA lease application.

March 11 and 17, 2005 Canyon Fuel Company, LLC submits additional technical information.

June 22, 2005 510 (c) evaluation report requested from the Applicant Violator System.

June 23, 2005 Division completes technical analysis for the addition of the SITLA lease.

June 24, 2005 Division completes CHIA for the addition of the SITLA lease. Division issues permit to add 2360 acres to the Dugout Canyon Mine permit area.

FINDINGS

Canyon Fuel Company, LLC
Dugout Canyon Mine
C/007/0039
Carbon County, Utah

June 24, 2005

1. The permit application for adding an additional 2360 at the Dugout Canyon Mine is accurate and complete and all requirements of the Surface Mining Control and Reclamation Act, and the approved Utah State Program (the "Act") are in compliance. See Technical Analysis dated June 23, 2005. (R645-300-133.100)
2. The applicant proposes no additional surface disturbance with the addition of the SITLA leases. The Division has previously determined that reclamation, as required by the Act can be feasibly accomplished following the approved plan. See Technical Analysis dated June 23, 2005. (R645-300-133.710)
3. An assessment of the probable cumulative impacts of all anticipated coal mining and reclamation activities in the general area on the hydrologic balance has been conducted by the Division and no significant impacts were identified. See CHIA dated June 24, 2005 and June 23, 2005 Technical Analysis. The Mining and Reclamation Plan (MRP) proposed under the revised application has been designed to prevent damage to the hydrologic balance in the permit area and in associated off-site area (R645-300-133.400 and UCA 40-10-11 (2)(c)).
4. The proposed lands to be included within the permit area are:
 - a. Not included within an area designated unsuitable for underground coal mining operation (R645-300-133.220);
 - b. not within an area under study for designated land unsuitable for underground coal mining operations (R645-300-133.210);
 - c. not on any lands subject to the prohibitions or limitation of 30 CFR 761.11 {a} (national parks, etc), 761.11 {f} (public buildings, etc.) and 761.11 {g} (cemeteries);
 - d. not within 100 feet of a public road(R645-300-133.220); and
 - e. not within 300 feet of any occupied dwelling (R645-300-133.220).
5. The operation would not affect the continued existence of any threatened or endangered species or result in the destruction or adverse modification of their critical habitats as determined under the Endangered Species Act of 1973. Consultation was conducted by the Division with USFWS. (16 USC 1531 et seq.) (R645-300-133.500)
6. The Division's issuance of a permit is in compliance with the National Historic Preservation Act and implementing regulations (36 CFR 800). A finding of No Historic Properties Affected, dated August 20, 2004. (R645-300-133.600)

7. The applicant has the legal right to enter and complete mining activities in the permit area through ownership of the property (SITLA lease ML-48435) (R645-300-133.300)
8. A 510 (c) report has been run on the Applicant Violator System (AVS), which shows that: prior violations of applicable laws and regulations have been corrected; neither Canyon Fuel Company, LLC or any affiliated company, are delinquent in payment of fees for the Abandoned Mine Reclamation Fund; and the applicant does not control and has not controlled mining operations with demonstrated pattern of willful violations of the Act of such nature, duration, and with such resulting irreparable damage to the environment as to indicate an intent not to comply with the provisions of the Act (A 510 (c) report was run on June 22, 2005, see memo to file dated June 22, 2005). (R645-300-133.730)
9. Mining operations to be performed under the permit will not be inconsistent with other operations anticipated to be performed in areas adjacent to the proposed permit area.
10. The applicant has posted a surety bond for the Dugout Canyon Mine in the amount of \$3,682,000. (R645-300-134)
11. No lands designated as prime farmlands or alluvial valley floors occur on the permit area. (R645-302-313.100 and R645-302-321.100)
12. The proposed postmining land-use of the permit area is the same as the pre-mining land use and has been approved by the Division.
13. The Division has made all specific approvals required by the Act, the Cooperative Agreement, and the Federal Lands Program.
14. All procedures for public participation required by the Act, and the approved Utah State Program are in compliance. The public advertisement was noticed on June 15, 22, 29, and July 6, 2004. No comments were received. (R645-300-120)
15. No “existing structures” will be used in conjunction with this mine area. (R645-300-133.720)

Permit Supervisor

Associate Director of Mining

Director