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IN REPLY REFER TO:

United States Department of the Interior

OFFICE OF SURFACE MINING
Reclamation and Enforcement
P.O. Box 46667
Denver, Colorado 80201-6667

UT-0041

June 14, 2006

Utah Division of Oil, Gas, & Mining
Coal Regulatory Program
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

Leony
C/007/0039

RE: Canyon Fuel Company, LLC. - "Dugout Canyon" Mine - Application for a Permit Revision, Projected Potentiometric Levels, Letters, Task ID No. 2530

Dear Sir or Madam:

This is in response to the Utah Division of Oil, Gas, & Mining's (UT-DOGM) May 26, 2006, request for a decision, under 30 CFR 944.30, whether the above subject permit revision constitutes a mining plan modification.

Mining plan approvals by the Secretary of the Interior are required under the Mineral Leasing Act of 1920, 30 U.S.C. 181, *et seq.* before coal mining can occur on Federal lands. This letter serves to document OSM's determination whether or not a mining plan approval from the Secretary is required for the above permitting action.

OSM's review of the Application for a Permit Revision, Projected Potentiometric Levels, has determined that it proposes to add, as an appendix, a report projecting the final piezometric water levels in mine workings at the Pace Canyon portal facilities to the approved permit application package for the Dugout Canyon mine, Utah State permit C/007/039.

Based on a review of the activities associated with the permit revision, OSM has determined that the proposal does not meet the requirements of 30 CFR 746.18(d). Therefore, the proposed permit revision does not constitute a mining plan action requiring Secretarial approval.

OSM's decision was based solely upon the Federal regulations under 30 CFR PART 746 and not the technical aspects of the revision application itself. Consequently, OSM's decision does not relieve UT-DOGM from coordinating the review and approval of the Application for a Permit Revision, Projected Potentiometric Levels, with other Federal agencies for compliance with other Federal regulations.

OSM also electronically transmitted the May 26, 2006, request to the Bureau of Land Management and the U.S. Forest Service for their review and comment.

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DIV. OF OIL, GAS & MINING

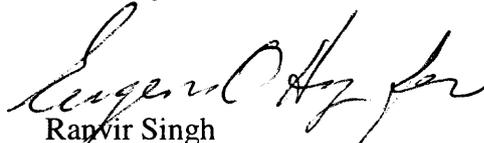
In an electronic submittal dated May 31, 2006, the U.S. Forest service stated it had no comments or concerns with the permit revision.

In an electronic transmittal dated June 14, 2006, the Bureau of Land Management stated in its opinion the permit revision did not constitute a mining plan action requiring Secretarial approval.

Please notify the applicant of our decision on this matter.

Should you have any questions regarding this letter or approval, please contact Carl R. Johnston, Utah Federal Lands coordinator, at (303) 844-1400, extension 1500.

Sincerely,

A handwritten signature in black ink, appearing to read "Ranvir Singh". The signature is fluid and cursive, written over the printed name.

Ranvir Singh
Manager, Northwest Branch

cc: BLM - Utah State Office
BLM - Price Field Office
USFS - Manti-La Sal NF
Denver Field Division