

0104

Canyon Fuel Company, LLC
Dugout Canyon Mine
P.O. Box 1029
Wellington, Utah 84542



Refer to Expandable 17292006-0001
file in C/007/0039, 2006, Incoming
for additional information

December 29, 2006

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
Task 2789

RE: Permit Area Expansion – Addition of 40 Acres to Federal Lease U-07064-027821
Dugout Canyon Mine, Canyon Fuel Company, LLC, C/007/039, Carbon County, Utah

Dear Ms. Grubaugh-Littig:

Attached please find four copies of revisions to the M&RP associated with the addition of 40 acres to the permit area for Dugout Canyon. The expansion is to accommodate a revised mine plan.

No surface disturbance will be associated with the expansion of the permit area at this time, however all future surface disturbance will be permitted. Future surface disturbance will likely be related to exploration and degas well pads and will be permitted as needed. A modified lease document will be submitted for inclusion into the M&RP, once we receive a copy.

An archeological study of a proposed drill site within the expanded permit area was performed and submitted to SHPO under State #U06SC1536p, by the consulting firm of Senco-Phenix report number SPUT-542. A copy of this report will be submitted with the amendment proposing the locations for drilling degas wells in 2007.

"Senco-Phenix performed an intensive cultural resource survey on the three proposed drill hole locations.... The purpose of the survey was to identify and evaluate cultural resources that may exist within the project area.

No cultural resources were located and the potential for undetected remains is remote. A finding of no effect is appropriate and archeological clearance without stipulations is recommended."

Land use will be the same as the currently approved portions of the federal lease previously mentioned in the letter.

Water monitoring at sites SC-65, 260 and 259 began prior to 1996 and will continue as described in Chapter 7 of the M&RP. Therefore, baseline data is available to allow evaluation of the effect of mining on water within the proposed lease expansion area. The 40 acres proposed for inclusion into the permit area are currently within the CHIA boundary (Plate 1, Cumulative Impact Area (CIA) Book Cliffs Area II CHIA, Revision Date 6/24/2005, DDean, DOGM).

RECEIVED

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DIV. OF OIL, GAS & MINING

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We appreciate your efforts in completing this review in a timely manner. A copy of this submittal has been delivered to the DOGM Price field office and to the Price BLM Field Office to Steve Rigby.

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

Sincerely yours,

A handwritten signature in cursive script that reads "Vicky S. Miller".

Vicky S. Miller

cc: Dave Spillman
Pete Hess

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: Permit Area Expansion , Addition of 40 Acres Federal Lease U-07064

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: 40 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.

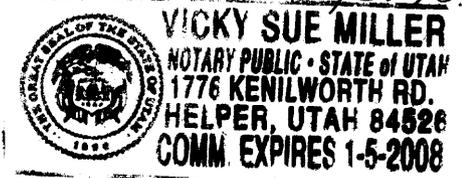
David Q. Spillman
Print Name

David Q. Spillman, Engineering Manager
Sign Name, Position, Date 12/27/06

Subscribed and sworn to before me this 28 day of December, 2006

Vicky Sue Miller
Notary Public

My commission Expires: 1-5-08, 20 }
Attest: State of UTAH } ss:
County of CARBON



For Office Use Only: 	Assigned Tracking Number: 	Received by Oil, Gas & Mining RECEIVED DEC 29 2006 DIV. OF OIL, GAS & MINING
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