

August 7, 2006

Erwin Sass, General Manager  
Canyon Fuel Company, LLC  
P.O. Box 1029  
Wellington, Utah 84542

Subject: Projected Potentiometric Water Levels, Task No. 2530, Canyon Fuel Company, LLC, Dugout Canyon Mine, C0070039

Dear Mr. Sass:

As part of the conditional approval of the Pace Canyon fan portal facility, the Bureau of Land Management (BLM) attached a stipulation that, upon the completion of the Pace Canyon construction activities, a mine map would need to be submitted showing the final potentiometric water level in the mine workings. The map would be used to determine whether or not a hydrostatic seal would be necessary for the Pace Canyon intake portal.

On May 23<sup>th</sup> 2006, Canyon Fuel Company, LLC submitted a report: Projected Potentiometric Levels in the Dugout Canyon Mine after Mine Closure. Upon review of the report, Stan Perkes of the BLM determined that a final potentiometric water level map would be necessary upon the termination of mining activities. At that time, a more accurate determination would be possible as to the final potentiometric water level in the mine workings.

Upon discussions with Stan Perkes (BLM) and Vickie Miller (Canyon Fuel Company, LLC), it was determined that the commitment to provide a final potentiometric surface map should be in the Resource Recovery and Protection Plan (R2P2) document and not in the Mining and Reclamation Plan (MRP).

Per a phone conversation on July 31<sup>st</sup>, 2006, Stan Perkes stated he would draft a letter outlining the need for the Permittee to provide that commitment in the R2P2. As such, we are returning your May 23<sup>rd</sup>, 2006 submittal for your files.

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Should you have any questions, please contact me at (801) 538-5268 or Peter Hess (435) 612-1146, ext.# 203.

Sincerely,

Pamela Grubaugh-Littig  
Permit Supervisor

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Enclosures

cc: Ranvir Singh, OSM w/o  
Jim Kohler, BLM w/o  
Marc Stillson, Water Rights w/o  
Dave Ariotti, DEQ w/o  
Deris Jones, DWR w/o  
Kevin Carter, TLA w/o

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