

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



August 28, 2007

Travis J. Miller
C/007/0039

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

RE: Revision to Reclamation Agreement, Dugout Canyon Mine, Canyon Fuel Company, LLC,
C/007/039, Carbon County, Utah

Dear Ms. Grubaugh-Littig:

The documentation associated with the surety company's approval of a bond increase from \$3,300,000 to \$3,550,000 was mailed overnight to your office and received August 10, 2007 per your e-mail of the same day.

Attached please find Exhibits A and D:

A Copy of Exhibit A, the original was mailed to your overnight on August 27, 2007 by Stacy Allen of Arch Coal, Inc.

Exhibit D – Revision to Reclamation Agreement (Original), Affidavit of Qualification (Original) and Secretary's Certificate (copy)

Please send a complete copy of the reclamation agreement documents to Mr. Gene DiClaudio and Mr. Erwin Sass, self addressed envelopes attached

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

Sincerely yours,

Vicky S. Miller

Vicky S. Miller

cc: Gene DiClaudio, Erwin Sass, Dave Spillman

AUG 29 2007

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: Bond Increase and Reclamation Agreement Revision

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: _____ 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 Spilman
Print Name

David Spilman, Engineering Manager
Sign Name, Position, Date

Subscribed and sworn to before me this 28 day of August, 2007

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 <div style="text-align: center; font-size: 1.2em; font-weight: bold;">AUG 29 2007</div>
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EXHIBIT "A"

Bonded Area Legal Description

(Federal Coal)

SURETY RIDER

To be attached to and form a part of

Bond No. [REDACTED]

Type of **Reclamation - Permit # ACT/007/039**
Bond:

dated
effective **May 18, 2000**
(MONTH-DAY-YEAR)

executed by **Canyon Fuel Company, LLC**
(PRINCIPAL)

, as Principal,

and by **St. Paul Fire and Marine Insurance Company**
(SURETY)

, as Surety,

in favor of **State of Utah and OSM**
(OBLIGEE)

in consideration of the mutual agreements herein contained the Principal and the Surety hereby consent to changing

The bond amount from [REDACTED]

Nothing herein contained shall vary, alter or extend any provision or condition of this bond except as herein expressly stated.

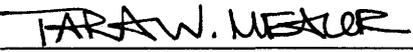
This rider is effective **July 31, 2007**
(MONTH-DAY-YEAR)

Signed and Sealed **July 31, 2007**
(MONTH-DAY-YEAR)

Canyon Fuel Company, LLC
(PRINCIPAL)

By: 
(PRINCIPAL) **James E. Florczak, Vice President and Treasurer**

St. Paul Fire and Marine Insurance Company
(SURETY)

By: 
Tara W. Mealer, Attorney-In-Fact



POWER OF ATTORNEY

Farmington Casualty Company
Fidelity and Guaranty Insurance Company
Fidelity and Guaranty Insurance Underwriters, Inc.
Seaboard Surety Company
St. Paul Fire and Marine Insurance Company

St. Paul Guardian Insurance Company
St. Paul Mercury Insurance Company
Travelers Casualty and Surety Company
Travelers Casualty and Surety Company of America
United States Fidelity and Guaranty Company

Attorney-In Fact No. 218196

Certificate No. 001850725

KNOW ALL MEN BY THESE PRESENTS: That Seaboard Surety Company is a corporation duly organized under the laws of the State of New York, that St. Paul Fire and Marine Insurance Company, St. Paul Guardian Insurance Company and St. Paul Mercury Insurance Company are corporations duly organized under the laws of the State of Minnesota, that Farmington Casualty Company, Travelers Casualty and Surety Company, and Travelers Casualty and Surety Company of America are corporations duly organized under the laws of the State of Connecticut, that United States Fidelity and Guaranty Company is a corporation duly organized under the laws of the State of Maryland, that Fidelity and Guaranty Insurance Company is a corporation duly organized under the laws of the State of Iowa, and that Fidelity and Guaranty Insurance Underwriters, Inc. is a corporation duly organized under the laws of the State of Wisconsin (herein collectively called the "Companies"), and that the Companies do hereby make, constitute and appoint

Debra Elaine Clark-Kinkead, Joseph R. Poplawski, Tara W. Mealer, and Mary Y. Volmar

of the City of Knoxville, State of Tennessee, their true and lawful Attorney(s)-in-Fact, each in their separate capacity if more than one is named above, to sign, execute, seal and acknowledge any and all bonds, recognizances, conditional undertakings and other writings obligatory in the nature thereof on behalf of the Companies in their business of guaranteeing the fidelity of persons, guaranteeing the performance of contracts and executing or guaranteeing bonds and undertakings required or permitted in any actions or proceedings allowed by law.

IN WITNESS WHEREOF, the Companies have caused this instrument to be signed and their corporate seals to be hereto affixed, this 18th day of January, 2007.

Farmington Casualty Company
Fidelity and Guaranty Insurance Company
Fidelity and Guaranty Insurance Underwriters, Inc.
Seaboard Surety Company
St. Paul Fire and Marine Insurance Company

St. Paul Guardian Insurance Company
St. Paul Mercury Insurance Company
Travelers Casualty and Surety Company
Travelers Casualty and Surety Company of America
United States Fidelity and Guaranty Company



State of Connecticut
City of Hartford ss.

By: [Signature]
George W. Thompson, Senior Vice President

On this the 18th day of January, 2007, before me personally appeared George W. Thompson, who acknowledged himself to be the Senior Vice President of Farmington Casualty Company, Fidelity and Guaranty Insurance Company, Fidelity and Guaranty Insurance Underwriters, Inc., Seaboard Surety Company, St. Paul Fire and Marine Insurance Company, St. Paul Guardian Insurance Company, St. Paul Mercury Insurance Company, Travelers Casualty and Surety Company, Travelers Casualty and Surety Company of America, and United States Fidelity and Guaranty Company, and that he, as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing on behalf of the corporations by himself as a duly authorized officer.

In Witness Whereof, I hereunto set my hand and official seal.
My Commission expires the 30th day of June, 2011.



[Signature]
Marie C. Tetreault, Notary Public

Bond Number

**AFFIDAVIT OF QUALIFICATION
SURETY COMPANY**

--ooOOoo--

I, Tara W. Mealer, being first duly sworn under oath, deposes and says that he/she is the (officer or agent) Attorney-in-Fact of St. Paul Fire and Marine Insurance Company; and that he/she is duly authorized to execute and deliver the foregoing obligations; and that said SURETY COMPANY is authorized to execute the same and has complied in all respects with the laws of Utah in reference to becoming sole surety upon bonds, undertakings and obligations herein.

TARA W. MEALER

(Signed) Tara W. Mealer, Attorney-in-Fact
Surety Company Officer - Position

Subscribed and sworn to before me this 31st day of July, 2007.



Mary Y. Volmar
Notary Public Mary Y. Volmar

My Commission Expires:

July 13, 2008.

Attest:

STATE OF Tennessee)

COUNTY OF Knox)

) ss:

EXHIBIT “A”

Bonded Area Legal Description

(Federal Coal)

Bond Number



EXHIBIT "A"

Pursuant to R645-301- 820.110, the surety bond covers an identified increment of land within the permit area upon which the operator will initiate and conduct coal mining and reclamation operations during the initial term of the permit. This area is identified as:

Map(s) showing the BONDED AREA within the approved PERMIT AREA :

Plate 1-4

Legal description of BONDED AREA:

LEGAL DESCRIPTION OF BONDED AREA:

Waste Rock Storage Facility

T. 14 S., R. 12 E., SLBM, Utah (Approximately 26.8 acres)

Section 18: Portions of NW1/4NE1/4NE1/4
Portions of NE1/4NE1/4NE1/4
Portions of SW1/4NE1/4NE1/4
Portions of SE1/4NE1/4NE1/4
Portions of NW1/4SE1/4NE1/4

Leachfield and Pipeline

T. 13 S., R. 12 E., SLBM, Utah (Approximately 1.8 acres)

Section 22: Portion of SE1/4SE1/4NE1/4SE1/4
Portion of NE1/4SE1/4NE1/4SE1/4
Portion of N1/2NE1/4SE1/4SE1/4;
Portion of SW1/4NE1/4SE1/4SE1/4;
Portion of S1/2NW1/4SE1/4SE1/4;
Portion of SE1/4NE1/4SW1/4SE1/4;
Portion of N1/2SE1/4SW1/4SE1/4;
Portion of NE1/4SW1/4SW1/4SE1/4;
Portion of S1/2SW1/4SW1/4SE1/4

Section 23: Portion of SW 1/4NW1/4NW1/4SW1/4;
Portion of SE1/4NW1/4NW1/4SW1/4;
Portion of NW1/4SW1/4NW1/4SW1/4;

Section 27: Portion of W1/2NW1/4NW1/4NE1/4
Portion of SE1/4NE1/4NE1/4NW1/4
Portion of E1/2SE1/4NE1/4NW1/4
Portion of SW1/4SE1/4NE1/4NW1/4

Bond Number 

Main Facilities Area T. 13 S., R. 12 E., SLBM, Utah (Approximately 20.80 acres)

Section 23: A Portion of the following:
NE1/4NE1/4NW1/4SW1/4; NE1/4NW1/4NW1/4SW1/4;
NW1/4NE1/4NW1/4SW1/4; SW1/4SE1/4SW1/4NW1/4;
SE1/4SE1/4SW1/4NW1/4; NW1/4SE1/4SW1/4NW1/4;
NE1/4SE1/4SW1/4NW1/4; SW1/4SW1/4SE1/4NW1/4;
SE1/4SW1/4SE1/4NW1/4; NW1/4SW1/4SE1/4NW1/4;
NE1/4SW1/4SE1/4NW1/4; SW1/4NW1/4SE1/4NW1/4;
SE1/4NW1/4SE1/4NW1/4; NE1/4NW1/4SE1/4NW1/4;
SW1/4NE1/4SE1/4NW1/4; NW1/4NE1/4SE1/4NW1/4;
NE1/4NE1/4SE1/4NW1/4; W1/2SE1/4NE1/4NW1/4;
SW1/4NE1/4NE1/4NW1/4; NW1/4NE1/4NE1/4NW1/4;
NE1/4NE1/4NE1/4NW1/4

Section 14: A Portion of the following:
SE1/4SE1/4SE1/4SW1/4;
NE1/4SE1/4SE1/4SW1/4;
NW1/4SW1/4SW1/4SE1/4

G-2 Thru G-17 Degas Well, (Approximately 27.15 acres)

G-2	Portion of N1/2SW1/4NE1/4 Section 24	Township 13 South, Range 12 East, SLBM
G-3	Portion of N1/2SW1/4NW1/4 Section 19	Township 13 South, Range 13 East, SLBM
G-4	Portion of N1/2NE1/4NW1/4 Section 24	Township 13 South, Range 12 East, SLBM
G-5	Portion of N1/2NW1/4NE1/4 Section 24	Township 13 South, Range 12 East, SLBM
G-6	Portion of S1/2SW1/4NW1/4 Section 18	Township 13 South, Range 13 East, SLBM
G-7	Portion of SW1/4NE1/4SE14 Section 24	Township 13 South, Range 12 East, SLBM
G-9	Portion of NW1/4NW1/4SW1/4 Section 21	Township 13 South, Range 13 East, SLBM
G-10	Portion of NE1/4NE1/4SE1/4 Section 20	Township 13 South, Range 13 East, SLBM
G-11	Portion of NE1/4SE1/4SW1/4 Section 20	Township 13 South, Range 13 East, SLBM
G-12	Portion of SE1/4NW1/4SW1/4 Section 20	Township 13 South, Range 13 East, SLBM
G-13	Portion of NW1/4NE1/4SE1/4 Section 19	Township 13 South, Range 13 East, SLBM
G-14A	Portion of SW1/4SW1/4SE1/4 Section 17	Township 13 South, Range 13 East, SLBM
G-15	Portion of NW1/4SE1/4NE1/4 Section 19	Township 13 South, Range 13 East, SLBM
G-16	Portion of SW1/4SE1/4SE1/4 Section 18	Township 13 South, Range 13 East, SLBM
G-17	Portion of SE1/4NW1/4SE1/4 Section 18	Township 13 South, Range 13 East, SLBM
G-19	Portion of SW1/4NW1/4SE1/4 Section 20	Township 13 South, Range 13 East, SLBM

Pace Canyon Fan Facility Township 13 South, Range 13 East, SLBM (Approximately 2.7 acres)
Section 30: Portion of E1/2NW1/4NW1/4

Total Approximately 79.3 Acres

Exhibit "A"
Legal Description
Federal

Bond Number

The above described area shall be modified as necessary to correspond to an increase in the area disturbed as a result of an expansion of coal mining and reclamation operations. The described area may also be decreased as a result of partial reclamation.

IN WITNESS WHEREOF the **SURETY** has hereunto set its signature and seal this

31st day of July, 2007.

St. Paul Fire and Marine Insurance
Company
SURETY

TARA W. MEALER

By: Tara W. Mealer

Attorney-In-Fact

Title:

EXHIBIT "D"

**Stipulation to Revise
Reclamation Agreement
(Federal)**

Permit Number: C/007/039
Effective Date: August 24, 2007
Bond Number: [REDACTED]

COAL
STIPULATION TO REVISE RECLAMATION AGREEMENT
--ooOOoo--

This **STIPULATION TO REVISE RECLAMATION AGREEMENT** entered into by and between the **PERMITTEE** and **DIVISION** incorporates the following revisions or changes to the **RECLAMATION AGREEMENT**: (Identify and Describe Revisions below)

Bond Increase

In accordance with this **STIPULATION TO REVISE RECLAMATION AGREEMENT**, the following Exhibits have been replaced by the **PERMITTEE** and are approved by the **DIVISION**.

_____ Replace the Reclamation agreement in its entirety.

X Replace Exhibit "A"- bonded area.

_____ Replace Exhibit "B"- bonding agreement

_____ Replace Exhibit "C"- liability insurance

The bonding amount is revised from \$ [REDACTED]

The bonding type is changed from _____ to _____.

The surface disturbance is revised from 77 acre to 79.3 acres.

The expiration date is revised from _____ to _____.

The liability insurance carrier is changed from _____ to _____.

The amount of insurance coverage for bodily injury and property damage is changed from \$ _____ to \$ _____.

IN WITNESS WHEREOF, Gene E. DiClaudio the **PERMITTEE** has hereunto set its signature and seal this 24 day of August, 2007.

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

PERMITTEE

By: Gene E. DiClaudio

Title: President

ACCEPTED BY THE STATE OF UTAH this 4th day of September, 2007.

Mary Ann Wright
for **Director** Mary Ann Wright, Assoc. Dir.
Division of Oil, Gas and Mining

NOTE: An **Affidavit of Qualification** must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power or Attorney of a company, such Power of Attorney must be filed with this Agreement. If the **PERMITTEE** is a corporation, the Agreement shall be executed by its duly authorized officer.

Bond Number XXXXXXXXXX

**AFFIDAVIT OF QUALIFICATION
PERMITTEE**

I Gene E. DiClaudio, being duly sworn under oath, deposes and says that he is the President of Canyon Fuel Company, LLC and Arch Western Bituminous Group, LLC (officer), the PERMITTEE; and that he is duly authorized to execute and deliver the foregoing obligations; and that said PERMITTEE is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.

(Signed) Gene E. DiClaudio
(Name)

President
(Position)

Attest: See Attached
Secretary of the Corporation

State of Utah)

) ss:

County of Carbon)

Subscribed and sworn to before me this 24 day of August, 2007



Vicky Sue Miller
Notary Public

My Commission Expires: 1-5-2008

SECRETARY'S CERTIFICATE

CANYON FUEL COMPANY, LLC

I, Janet L. Horgan, Secretary of Canyon Fuel Company, LLC, a Delaware limited liability company (the "Company"), hereby certifies that the following is a true and complete list of current Officers and Directors of the Company together with their starting dates:

DIRECTORS

Eugene E. DiClaudio	July 30, 2004
Robert W. Shanks	June 1, 1998
Kenneth G. Woodring	December 1, 2000

OFFICERS

Eugene E. DiClaudio	President	July 30, 2004
Charles David Steele	Vice President -- Tax	May 23, 2003
James E. Florczak	Vice President	May 25, 1999
James E. Florczak	Treasurer	July 30, 2004
Janet L. Horgan	Secretary	October 16, 2000
Jolene J. Mermis	Assistant Secretary	July 30, 2004

I hereby further certify to the following:

1. Mr. Youichi Kobayashi ended his term as Director on July 30, 2004;
2. Mr. Steven F. Leer ended his term as Director on July 30, 2004;
1. Anne W. O'Donnell ended her term as Assistant Secretary of the Company on June 18, 2004.
2. That the following individuals listed below ended their term as the office indicated next to their name on July 30, 2004:

John W. Eaves	Vice President -- Operations and Alternate Representative
Bradley M. Allbritten	Vice President -- Marketing
Robert J. Messey	Chief Financial Officer
Tsutomu Niwa	Director
Yutaka Nakazawa	Director
Ichirou Nakamura	Alternate Representative

INCORPORATED

FEB 08 2005

DIV OF OIL GAS & ENERGY

WITNESS my hand and seal of the Company this 5th day of January, 2005.

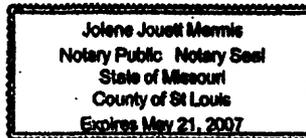
J. Horgan
Janet L. Horgan, Secretary

State of Missouri)
) ss
County of St. Louis)

Sworn and Subscribed to before me this 5th day of January, 2005.

Jolene Jouett Mermis
Jolene Jouett Mermis

My Commission Expires: May 21, 2007



INCORPORATED

FEB 08 2005

DIV OF OIL GAS & MINING

Bond Number _____

**AFFIDAVIT OF QUALIFICATION
DIRECTOR
--ooOOoo--**

John Baza, being first duly sworn under oath, deposes and says that he is the Director for the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah; and that she is duly authorized to execute and deliver the foregoing obligations; and that said Acting Director is authorized to execute the same by authority of laws on behalf of the State of Utah.

Mary Ann Wright
for John Baza *Mary Ann Wright*
Also Director, Division of Oil, Gas and Mining

STATE OF Utah)
COUNTY OF Salt Lake) ss:

Subscribed and sworn to before me this 4 day of September 2007.

Penny Berry
Notary Public

My Commission Expires:
1/11/, 2011.

