

0018

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

Incoming
OK C/007/002
#3018

July 21, 2008

Coal Regulatory Program
Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114-5801

RE: Permit Area Expansion – Task ID #2958, Addition of 240 Acres of Federal Lease U-07064-027821 to Dugout Canyon Mine, Canyon Fuel Company, LLC, C/007/039, Carbon County, Utah

Dear Sirs:

Attached please find four copies of revisions to the M&RP associated with the addition of 240 acres to the permit area (Federal Lease U-07064-027821) for Dugout Canyon to accommodate a revised mine plan. An additional copy has been provided which is not incorporated into a binder, this copy contains only the information to address the deficiencies associate with Task ID #2958, not the complete copy of items submitted in October 2007, April 2008 and July 2008.

No surface disturbance will be associated with the expansion of the permit area at this time. Future surface disturbance will likely be related to exploration and degas well pads and will be permitted as needed.

The confidential information submitted in October 2007 and April 2008 has **not** been resubmitted, unless it was revised. The permittee is not sure of the process for the confidential information and does not want to cause confusion.

Upon approval of the amendment the follow will be submitted:

- Updated table of contents for chapters, where applicable
- Corrected pagination within the chapters
- Tabs for any new appendix
- Color copies of drawings and pictures, except for the confidential information submitted previously in color
- Drawing/Plates will be signed/certified by a qualified individual

A copy of this submittal has been delivered to the Price Field Office. Thank you for your assistance and if you have any questions please call me at (435) 636-2869.

Sincerely yours,

Vicky S. Miller

cc: Dave Spillman
Pete Hess

File in:
C/007/0039, 2008, Incoming
Refer to:
 Confidential
 Shelf
 Expandable
Date 7/21/08 For additional information

RECEIVED
JUL 22 2008
DIV. OF OIL, GAS & MINING

Deficiency List

Dugout Mine: 240-Acre Lease Expansion

Task ID #2958 Deficiencies

Baseline Data Collection

R645-301-724: The Permittee must address a discrepancy in the first paragraph of page 7-5 of the application. A reference is made to “the 600 acre expansion”. As the mine plan has changed with the removal of the 320-acre SITLA tract, this language should be revised. (SC)

Corrected to read 240 acres.

R645-301-724: R645-301-724: The Permittee must provide a citation and/or reference for the ‘Perched Groundwater Systems’ discussion on pages 7-5 thru 7-7 in Chapter 7 of the application as well as on pages 6-8 of the Addendum to the PHC in Appendix 7-3. The discussion provided in both the Chapter 7 section the application and the PHC Addendum is identical. In order for the Division to accept the baseline groundwater information presented for the proposed permit expansion (without drilling data from the expansion area itself), the Permittee must provide a reference that supports the groundwater characterizations that are presented on the aforementioned pages.

References have been added to the M&RP text and the text of the “Addendum to the PHC”.

At the end of the second complete paragraph of the discussion, the Permittee states, “As indicated in Appendix 7-3 and based on drilling data, large portions of the rock sequence overlying mining areas in the Dugout Canyon Mine area do not appear to be fully saturated in the vicinity of the Dugout Canyon Mine”. The first complete paragraph on page 7-6 of Section 7 (1st paragraph on page 7 of Addendum to PHC) concludes “As discussed above, the observation that the Castlegate Sandstone does not support many springs in the region and that much of the formation was dry when drilled supports these conclusions”. The Permittee should provide a reference to where this drilling data can be found and discuss why the data is indicative of the conditions found in the proposed permit expansion.

Drilling information is provided in Appendices 6-1 and 7-4.

In general, the statements made as to the groundwater characterization of the proposed permit expansion area described in pages 7-5 thru 7-7 of Section 7 and pages 6-8 in the PHC Addendum need to be referenced. The Division can accept a scientifically justifiable explanation as to the groundwater characteristics of the area based on data from other locations. However; the Permittee must demonstrate why that data is indicative of the groundwater conditions in the proposed permit expansion area and provide a reference so the Division can verify the information. (SC)

Explanation and demonstration have been added to the M&RP text and the text of the “Addendum to the PHC”.

R645-301-724.200: The Permittee provides the acquired field data from surface water monitoring site 323 in Appendix 7-2, *Groundwater Monitoring Data*. Appendix 7-2 of the approved MRP provides ground water data. The Permittee should amend the application so the surface water data is located in Appendix 7-7, *Surface Water Data*. (SC)

The information has been placed in the appropriate appendix.

Probable Hydrologic Consequences

R645-301-728: The Permittee must provide a discussion as to the probable hydrologic consequences of the proposed mining activity on the unnamed tributary to Cow Canyon Drainage in T13S, R13E, Section 17. Page 7-26 of the application states, “this tributary becomes perennial a short distance above Site 261”. However, the application does not discuss any potential impacts to this drainage (either in terms of base flow impacts or surface interception). Based on the presented information, the perennial flow of the unnamed tributary to Cow Canyon is located within the potential subsidence boundary as depicted on Plate 5-7. (SC)

Refer to the revisions in Section 724.200.

Subsurface Water Resource Maps

R645-301-722-100: The application does not meet the Maps, Plans and Cross Sections requirements for Subsurface Water Resource Maps as required by R645-301-722.100. In section 722.100 on Page 7-2 of the application, a reference is made to Figure 7-1. Figure 7-1 does not appear to be in the application. The Permittee must address this discrepancy. (SC)

A copy of the Figure has been provided, the copy has a UDOGM incorporated stamp on it.

R645-301-731: Monitoring and Sampling Location Maps

Plate 7-1, Hydrologic Monitoring Stations does not depict Spring #322 as being actively monitored. Plate 7-1 should be revised to depict Spring #322 as an active monitoring site. (SC)

Plate 7-1 has been revised.

Maps, Plans and Cross Sections of Resources Information

R645-301-521, The Permittee must update the permit boundaries on all maps that show the permit boundary such as Plate 5-1. Without updating all the maps in the MRP a reader would not know which maps show the correct permit boundaries and which do not. (WW)

Upon reviewing Plate 5-1, there is no need for updating the area shown on Plate 5-1. The area on Plate 5-1 does not extend into Section 17, T13S R13E, which is where the lease expansion acreage is located. Since there will be no surface disturbance associated with this action, the outline and label "Disturbed Area Boundary" on Plate 5-1 should alert the reviewer that this plate is not associated with the area of the lease expansion.

With the review of the plates in the M&RP which have the expansion area show on them, the only two were located (Plate 7-3 and 7-6) which had not previously been updated. Plates 7-3 and 7-6 are included in this submittal.

Subsidence Control Plan

R645-301-525.460 and R645-301-121.200, The Permittee must update the map in Appendix 5-12 to reflect the current condition such as the permit expansion is 240 acres not 600 acres. The information on the map in Appendix 5-12 must be consistent with the information in Plate 5-7, for example the panels and dates that the panels will be mined as well as the subsidence boundaries are not the same. In addition, the Permittee must place information on the map in Appendix 5-12 that allows the reader to easily identify the location such as by placing township, range and sections locations. In addition, the subsidence isopachs must be based on a general acceptable method of subsidence prediction and the supporting calculations must be included in the MRP. (WW)

The drawing has been revised and explanation of the methods of subsidence prediction and supporting calculations are provided in the text of the M&RP, in Appendix 5-12 and the report on Subsidence in Appendix 5-1.

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: Task Id # 2958 - Address Deficiencies to Permit Area Expansion, Addition of 240 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: 240 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.

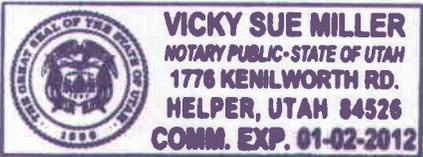
David Spillman
Print Name

David Spillman, Engineering Manager
Sign Name, Position, Date
7/21/08

Subscribed and sworn to before me this 21 day of July, 2008

Vicky Sue Miller
Notary Public

My commission Expires: 01-02, 2012 } ss:
Attest: State of UTAH }
County of CARBON



| | | |
|------------------------------------|---|---|
| <p>For Office Use Only:</p> | <p>Assigned Tracking Number:</p> | <p>Received by Oil, Gas & Mining</p> <p style="text-align: center; color: red; font-size: 1.2em;">RECEIVED</p> <p style="text-align: center; color: red; font-size: 1.2em;">JUL 22 2008</p> <p style="text-align: center; color: red; font-size: 0.8em;">DIV. OF OIL, GAS & MINING</p> |
|------------------------------------|---|---|

