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State of Utah
DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

September 22, 2008

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

Subject: Final Approval-Permit Area Expansion- 240 Acres, Canyon Fuel Company, LLC, Dugout Canyon Mine, C/007/0039, Task ID #3018 (Previous Task ID's #2873 and #2958), Outgoing File

Dear Mr. Sass:

The above-referenced amendment is approved effective September 22, 2008. The conditions outlined in the Division of Oil, Gas and Mining's (the Division) conditional approval letter (dated September 11, 2008) have been met. Two copies of the updated permit are enclosed. Please have them signed and return one signed copy to the Division by no later than October 6, 2008. The Technical Analysis is in the process of being updated and will be forwarded to you upon its completion. A stamped incorporated copy is enclosed for your copy of the Mining and Reclamation Plan.

If you have any questions, please feel free to call me at (801) 538-5262 or Steve Christensen at (801) 538-5350.

Sincerely,

James D. Smith
Permit Supervisor

an
Enclosure
cc: Ranvir Singh, OSM
Jim Kohler, BLM
Marc Stilson, Water Rights w/o
Dave Ariotti, DEQ w/o
Eric Larson, DWR w/o
Price Field Office
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1594 West North Temple, Suite 1210, PO Box 145801, Salt Lake City, UT 84114-5801
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UTAH DNR OIL, GAS & MINING

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FEDERAL **PERMIT** **September 18, 2008**
C/007/0039

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5342

This permit, C/007/0039, is issued for the state of Utah by the Utah Division of Oil, Gas and Mining (DOGM) to:

Canyon Fuel Company, LLC
6955 South Union Park Center, Suite 540
Midvale, Utah 84047
(801) 596-7111

for the Dugout Canyon Mine. Canyon Fuel Company, LLC is the lessee of federal coal lease U-07064-027821 of state coal leases ML-42648, ML-42649 and fee-owned property. A performance bond is filed with the DOGM in the amount of $3,550,000.00, payable to the state of Utah, Division of Oil, Gas and Mining. DOGM must receive a copy of this permit signed and dated by the permittee.

Sec. 1 **STATUTES AND REGULATIONS** - This permit is issued pursuant to the Utah Coal Mining and Reclamation Act of 1979, Utah Code Annotated (UCA) 40-10-1 et seq, hereafter referred to as the Act.

Sec. 2 **PERMIT AREA** - The permittee is authorized to conduct coal mining and reclamation operations on the following described lands within the permit area at the Dugout Canyon Mine situated in the state of Utah, Carbon County, and located:

T. 13 S., R. 12 E., SLBM, Utah

Section 9:	S1/2SE1/4
Section 10:	S1/2
Section 11:	S1/2
Section 13:	All except N1/2N1/2
Section 14:	All
Section 15:	All
Section 16:	All
Section 17:	E1/2SW1/4; SE1/4
Section 20:	E1/2NW1/4; SW1/4NW1/4; N1/2NE1/4
Section 21:	N1/2NW1/4; NE1/4
Section 22:	N1/2; N1/2S1/2; NE1/4SW1/4SW1/4SE1/4;

	S1/2SW1/4SW1/4SE1/4;
	N1/2SE1/4SW1/4SE1/4;
	SE1/4NE1/4SW1/4SE1/4;
	S1/2NW1/4SE1/4SE1/4;
	SW1/4NE1/4SE1/4SE1/4;
	NE1/2NE1/4SE1/4SE1/4
Section 23:	NW1/4; NE1/4; SE1/4;
	NE1/4SW1/4;
	NW1/4NW1/4SW1/4;
	N1/2NE1/4NW1/4SW1/4;
	NW1/4SW1/4NW1/4SW1/4
Section 24:	All
Section 25:	N1/2N1/2
Section 26:	N1/2NE1/4
Section 27:	NE1/4SE1/4NE1/4NW1/4;
	S1/2SE1/4NE1/4NW1/4;
	SE1/4NE1/4NE1/4NW1/4;
	W1/2NW1/4NW1/4NE1/4

T. 13 S., R. 13 E., SLBM, Utah

Section 17:	All except N1/2N1/2
Section 18:	All except N1/2N1/2
Section 19:	All
Section 20:	All
Section 21:	SW1/4; SW1/4NW14; NW1/4NW1/4
Section 28:	NW1/4; N1/2SW1/4; SW1/4SW1/4
Section 29:	All
Section 30:	E1/2; E1/2W1/2; NW1/4NW1/4

T. 14 S., R. 12 E., SLBM, Utah

Section 18:	Portions (approximately 26.8 acres) of NE1/4; NW1/4SE1/4

This legal description is for the permit area of the Dugout Canyon Mine included in the mining and reclamation plan. The permittee is authorized to conduct coal mining and reclamation operations on the foregoing described property subject to the conditions of the leases, including all conditions and all other applicable conditions, laws and regulations.

Sec. 3 **COMPLIANCE** - The permittee will comply with the terms and conditions of the permit, all applicable performance standards and requirements of the State Program.

Sec. 4 **PERMIT TERM** - This permit expires on March 17, 2013.

Sec. 5 **ASSIGNMENT OF PERMIT RIGHTS** - The permit rights may not be transferred, assigned or sold without the approval of the Director, DOGM. Transfer, assignment or sale of permit rights must be done in accordance with applicable regulations, including but not limited to 30 CFR 740.13(e) and R645-303.

Sec. 6 **RIGHT OF ENTRY** - The permittee shall allow the authorized representative of the DOGM, including but not limited to inspectors, and representatives of OSMRE, without advance notice or a search warrant, upon presentation of appropriate credentials, and without delay to:

(a) have the rights of entry provided for in 30 CFR 840.12, R645-400-110, 30 CFR 842.13 and R645-400-220; and,

(b) be accompanied by private persons for the purpose of conducting an inspection in accordance with R645-400-100 and 30 CFR 842, when the inspection is in response to an alleged violation reported by the private person.

Sec. 7 **SCOPE OF OPERATIONS** - The permittee shall conduct coal mining and reclamation operations only on those lands specifically designated as within the permit area on the maps submitted in the mining and reclamation plan and permit application and approved for the term of the permit and which are subject to the performance bond.

Sec. 8 **ENVIRONMENTAL IMPACTS** - The permittee shall minimize any adverse impact to the environment or public health and safety through but not limited to:

(a) accelerated monitoring to determine the nature and extent of noncompliance and the results of the noncompliance;

(b) immediate implementation of measures necessary to comply; and

(c) warning, as soon as possible after learning of such noncompliance, any person whose health and safety is in imminent danger due to the noncompliance.

Sec. 9 **DISPOSAL OF POLLUTANTS** - The permittee shall dispose of solids, sludge, filter backwash or pollutants in the course of treatment or control of waters or emissions to the air in the manner required by the approved Utah State Program and the Federal Lands Program which prevents violation of any applicable state or federal law.

Sec. 10 **CONDUCT OF OPERATIONS** - The permittee shall conduct its operations:

(a) in accordance with the terms of the permit to prevent significant, imminent environmental harm to the health and safety of the public; and

(b) utilizing methods specified as conditions of the permit by DOGM in approving alternative methods of compliance with the performance standards of the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 11 **EXISTING STRUCTURES** - As applicable, the permittee will comply with R645-301 and R645-302 for compliance, modification, or abandonment of existing structures.

Sec. 12 **RECLAMATION FEE PAYMENT** - The permittee shall pay all reclamation fees required by 30 CFR Part 870 for coal produced under the permit, for sale, transfer or use.

Sec. 13 **AUTHORIZED AGENT** - The permittee shall provide the names, addresses and telephone numbers of persons responsible for operations under the permit to whom notices and orders are to be delivered.

Sec. 14 **COMPLIANCE WITH OTHER LAWS** - The permittee shall comply with the provisions of the Water Pollution Control Act (33 USC 1151 et seq,) and the Clean Air Act (42 USC 7401 et seq), UCA 26-11-1 et seq, and UCA 26-13-1 et seq.

Sec. 15 **PERMIT RENEWAL** - Upon expiration, this permit may be renewed for areas within the boundaries of the existing permit in accordance with the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 16 **CULTURAL RESOURCES** - If during the course of mining operations, previously unidentified cultural resources are discovered, the permittee shall ensure that the site(s) is not disturbed and shall notify DOGM. DOGM, after coordination with OSMRE, shall inform the permittee of necessary actions required. The permittee shall implement the mitigation measures required by DOGM within the time frame specified by DOGM.

Sec. 17 **APPEALS** - The permittee shall have the right to appeal as provided for under R645-300.

Sec. 18 **SPECIAL CONDITIONS** - There is a special condition associated with this permit, as described in Attachment A.

The above conditions (Secs. 1-18) are also imposed upon the permittee's agents and employees. The failure or refusal of any of these persons to comply with these conditions shall be deemed a failure of the permittee to comply with the terms of this permit and the lease. The permittee shall require his agents, contractors and subcontractors involved in activities concerning this permit to include these conditions in the contracts between and among them. These conditions may be revised or amended, in writing, by the mutual consent of DOGM and the permittee at any time to adjust to changed conditions or to correct an oversight. DOGM may amend these conditions at any time without the consent of the permittee in order to make them consistent with any new federal or state statutes and any new regulations.

THE STATE OF UTAH

By: John R. Baza

Date: 9/22/08

I certify that I have read, understand and accept the requirements of this permit and any special conditions attached.

_____

Authorized Representative of the Permittee

Date: _____

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ATTACHMENT A

Special Conditions

1. Canyon Fuel Company, LLC must submit water quality data for the Dugout Mine in an electronic format through the Electronic Data Input web site, http://hlunix.hl.state.ut.us/cgibin/appxogm.cgi.