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JON M. HUNTSMAN, JR.  
*Governor*  
GARY R. HERBERT  
*Lieutenant Governor*

**State of Utah**  
**DEPARTMENT OF NATURAL RESOURCES**  
**Division of Oil, Gas & Mining**

MICHAEL R. STYLER  
*Executive Director*      JOHN R. BAZA  
*Division Director*

September 16, 2010

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

Subject: Midterm Permit Review, Canyon Fuel Company, LLC., Dugout Canyon Mine,  
C/007/0039, Task #3592

Dear Mr. Sass:

The Division of Oil, Gas and Mining (the Division) has reviewed the Dugout Canyon Mining and Reclamation Plan (MRP) as part of the midterm review process.

The Division has determined that there are deficiencies that must be addressed. The deficiencies are listed as an attachment to this letter. The initials of each deficiencies author are provided so that your staff can communicate directly with that individual should questions arise.

Please respond to the deficiencies by October 14, 2010. If you have any questions please call me at (801) 538-5362 or Steve Christensen at (801) 538-5350.

Sincerely,

James D. Smith  
Permit Supervisor

JDS/SKC/ss  
cc: Price Field Office  
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**Deficiency List**  
**Task No. 3592**  
**Midterm Review**

The members of the review team include the following individuals:

April Abate (AA)  
Peter H. Hess (PH)  
Angela Nance (AN)  
Priscilla Burton (PB)

**Review Item #6:** *A review of the mining and reclamation plan for compliance with operator commitments related to variances or special permit conditions (including but not limited to subsidence control/monitoring plans and reporting requirements, variances to AOC, experimental practices, electronic database water monitoring reporting, raptor surveys, revegetation test plots, etc.).*

**R645-301-632:** Please reference or provide the most current subsidence monitoring point location map in Section 632 of the MRP. A subsidence monitoring location map was found in Appendix 5-11 and titled Figure 2; however, please verify that this is the most current map. **(AA)**

**R645-301-121.100,** Page 2-15 states that an additional 6,317 yd<sup>3</sup> topsoil was stripped but not located in either the topsoil or subsoil pile at the time of the refuse expansion. Page 2-15 also indicates that an additional 5,400 yd<sup>3</sup> will be recovered from the northwest portion of the site at the time of expansion. The Permittee should verify whether these statements are current.

- As-builts required per the commitments stated in Refuse Pile Amendment Sec. 234.100, 234.300, and 242.100, Sec 243, and Plate RA 2-2 are requested.
- A commitment in Section 243 indicates that organic matter will be incorporated into the topsoil/subsoil piles when the soils are relocated. The Permittee should verify the type and amount of organic matter amendment that was incorporated into the stockpiles.
- Please provide final as-built volumes for the north and south stockpiles at the Pace Canyon site in Table 2-2 of the MRP.
- Topsoil at Pace Canyon was temporarily stockpiled above the portal and along the channel diversion area for immediate replacement after construction of the portal and channel diversion (Plate PC5-2 and MRP section 242.100.) Please verify whether this information is current.
- Section 233.200, p. 2-36, states that salvaged soils at the Pace Canyon site will be sampled and analyzed after stockpiling for baseline soil information. Please verify whether this information was collected and include it in the MRP.
- Section 222.400 of the MRP indicates that soils analyses from Test Pit G31 and G29 would be provided in the MRP. Section 243 indicates soil analyses from sites G25 and G26 will be added to Attachment 2-1 of the Methane Degassification Volume. Please verify whether this information was collected and include it in the MRP. **(PB)**

**Review Item #5 (PH):** *A review of the bond to ensure that it is in order and that the cost estimate is accurate and is escalated to appropriate current-year dollars.*

**R645-301-830.140-** The currently approved reclamation cost estimate is outdated and

must be updated using current unit costs for 2010. The Permittee must provide the Division with detailed cost estimates as well as the supporting calculations.

**Review Item #4 (AN):** *An AVS check to ensure that Ownership and Control information is current and correct, verify compliance status of unabated enforcement actions, determine status of any outstanding finalized penalties and verify that there are no demonstrated patterns of violation.*

**R645-301-112-303-** The AVS database shows Peter I Wold, Director with a Begin Date of 7/21/2010. This information is not in the MRP. *Please address this discrepancy.* The AVS database shows J Thomas Jones, Director with a Begin Date of 7/21/2010. This information is not in the MRP. *Please address this discrepancy.*