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

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Executive Director

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Outgoing
C0070039
#3650
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November 10, 2010

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

Subject: Final Approval, Waste Analysis Lab Data, Canyon Fuel Company, Dugout Canyon Mine, C/007/0039, Task ID #3650

Dear Mr. Sass:

The above-referenced amendment is approved effective November 10, 2010. A stamped incorporated copy has been included with this letter for insertion into your copy of the Mining and Reclamation Plan.

It should be noted that only 27 sample analyses were provided to the Division from the 274,000 tons of waste taken to the waste rock site and reported in the 2009 Annual Report. That corresponds to one grab sample for every 10,000 cu yds, not every 5,000 cu yds as stated in the permit. Therefore, the Permittee was not in compliance with the sampling and analysis requirements of Chap. 5, Sec. 513.400., Sec. 528.300, Sec. 536 and Refuse Pile Amendment Volume Section 536.200 for 2009. It is recommended that the Permittee monitor more closely the volumes taken to the waste rock site in 2010.

Additionally, all 14 samples taken in the 1st quarter of 2010 have acid forming potential based upon their pyritic sulfur content. Samples taken in August and November 2009 also had a likelihood of acid formation based upon the pyritic sulfur content. At present, the waste has an alkaline pH, but overtime, if the material is exposed to water and oxygen, oxidation may occur. Therefore, at final reclamation, this material should be compacted and placed out of the rooting zone (below four feet).

Thank you for your help during this process. 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

JDS/SKC/sqs
cc: Richard Holbrook, OSM
Jeff McKenzie, BLM
Price Field Office

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