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

January 21, 2011

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

RE: Notice of Violation #10072, Fine Assessment and Abatement Action
Dugout Canyon Mine, Canyon Fuel Company, LLC, C/007/039, Carbon County, Utah

Dear Sirs:

Enclosed please find five copies of a revision to the M&RP Chapter 7, to address the establishment of a mine water monitoring point. The information is being submitted for consideration in conjunction with the fine assessment and as a part of the actions required for NOV abatement. Upon approval of the submitted information, Dugout will begin to monitor the "MP" site.

Dugout personnel are working closely with hired chemists, scientists and engineers to develop a system and refine the treatment(s) of water currently being encountered underground. The process is ongoing and will continue until the water being discharged is compliant with UPDES limits.

We have met the requirements of the Division of Water Quality (DWQ) and are working closely with their personnel to develop and implement a treatment plan. At the time of this letter, DWQ has not approved the treatment plan we submitted or agreed upon a compliance schedule.

Sincerely yours,

Vicky S. Miller

cc: Dave Spillman

File in:

Confidential

Shelf

Expandable

Date Folder 01/24/2011 C/0070039

See: Incoming For additional information

RECEIVED

JAN 24 2011

APPLICATION FOR COAL PERMIT PROCESSING

COPY

Permit Change New Permit Renewal Exploration Bond Release Transfer

Permittee: Canyon Fuel Company, LLC

Mine: Dugout Canyon Mine

Permit Number: C/007/039

Title: Notice of Violation #10072, Fine Assessment and Abatement Action

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 # 10072
- 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 D. Spillman
Print Name

David Spillman, Engineering Manager
Sign Name, Position, Date

Subscribed and sworn to before me this 21 day of JANUARY, 2011

Vicky Sue Muller
Notary Public

My commission Expires 1-2, 2012
Attest: State of UTAH } ss:
County of CARBON



For Office Use Only:	Assigned Tracking Number:	Received by Oil, Gas & Mining <div style="font-size: 1.5em; font-weight: bold; margin: 5px 0;">RECEIVED</div> <div style="font-size: 1.2em; margin: 5px 0;">JAN 24 2011</div> DIV. OF OIL, GAS & MINING
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CHAPTER 7
HYDROLOGY

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MP Site Monitoring Program

Monitoring point located on 8" pipe at Pace Canyon Fan Portal.

The field measurements and results of the laboratory analyses will be entered into the Utah Division of Oil, Gas and Mining electronic water monitoring data base using the system and requirements in place as of 2010 for entry of information into the electronic water monitoring data base. Adverse conditions, No access and No Flow will be used to describe an attempt to monitor when they apply.

Protocols

Monthly operational water quality measurements at site MP analyzed for parameters listed below.

<u>FIELD MEASUREMENTS</u>	<u>REPORTED AS</u>
pH	pH units
Specific Conductivity	$\mu\text{s/cm @ 25}^\circ\text{C}$
Dissolved Oxygen	mg/l
Temperature	$^\circ\text{C}$

LABORATORY PARAMETERS

Total Iron	mg/l
Dissolved Iron	mg/l
Sulfate	mg/l
Alkalinity	mg/l
Total Dissolved Solids	mg/l
Total Suspended Solids	mg/l

Monitoring, sample collection and entry of data into the Utah Division of Oil, Gas and Mining electronic water monitoring data base will be discontinued if the following events occur at monitoring site MP:

- Water at the sampling location ceases to flow;
- Water is compliant with limits in the Dugout Canyon Mine UPDES permit for a period of six consecutive months; and/or
- Dugout Canyon Mine seals the area of the mine discharging water to Pace Creek.