



GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

January 5, 2015

Alan Boehms, Field Office Director
Office of Surface Mining
1999 Broadway, Suite 3320
Denver, Colorado 80202-3050

Subject: Phase I & II Bond Release, Canyon Fuel Company, LLC, Dugout Canyon Mine, Methane Degasification Well Sites, C/007/0039, Task ID #4711

Dear Mr. Boehms:

Enclosed is the Division's Decision Document for the Phase I & II bond release of select methane degasification well sites at Canyon Fuel Company, LLC's Dugout Canyon Mine. Canyon Fuel Company, LLC has requested a bond release and reduction in the amount of \$207,565.

The Division finds Canyon Fuel Company, LLC has met the regulatory requirements and recommends approval for Phase I bond release for the following methane degasification well sites: G9, G16 and access road (~475 feet), G19, G22 and access road (~1,200 feet), G25, G26, G30, a portion of the AMV Road (~1,350 feet) and G31 and portion of access road (~400 feet). The acreage for sites recommended for only Phase I bond release is 37.3 acres.

The Division finds that Canyon Fuel Company, LLC has met the regulatory requirements and recommends approval for Phase I and II bond release for the following sites: G2, G3, G4, G5, G6, G7, G10, G12, G13, G14, G18 and G31. The acreage for sites recommended for Phase II bond release is 18.95 acres.

The Division requests the Office of Surface Mining's concurrence with this determination. A copy of the Phase I & II bond release inspection report is included in this package along with the documentation of events. Please provide your determination at your earliest convenience.

If you have any questions or need further information, please feel free to call me at (801) 538-5325 or Steve Christensen at (801) 538-5350.

Sincerely,

Daron Haddock
Coal Program Manager

DRH/SKC/ss

Enclosure

cc: Howard Strand, OSM Denver field office
Kirt Tatton, General Manager, Canyon Fuel Company, LLC

O:\007039.DUG\WG4711\Decision Document\001 OSM concurrence ltr.doc



Select Methane Degasification Well Sites
Phase I & II Bond Release
Canyon Fuel Company, LLC
Dugout Canyon Mine
C/007/0039
Carbon County, Utah

TABLE OF CONTENTS

Decision Document

- * Action
- * Background
- * Chronology
- * Summary of Findings
- * Recommendation for Phase I & II Bond Release

Technical Analysis

Affidavit of Publication

Phase I & II Bond Release Inspection Report

BLM Letter of Concurrence

DECISION DOCUMENT

Select Methane Degasification Well Sites
Phase I & II Bond Release
Canyon Fuel Company, LLC
Dugout Canyon Mine
C/007/0039
Carbon County, Utah

ACTION

Phase I & II bond release is requested for select methane degasification well sites. The Permittee has applied for bond release to its currently posted surety bond. The posted bond amount is \$3,550,000; the bond reduction would total \$207,565, leaving a remaining posted bond amount of \$3,342,435. At the present time, the Permittee has not determined (pending final approval of the requested bond release) if a formal request will be initiated to lower the actual bond amount currently held by the Division of Oil, Gas and Mining.

BACKGROUND

Canyon Fuel Company, LLC has applied for Phase I and II bond release for portions of the Dugout Canyon Mine Permit. Phase I bond release is requested for 37.3 acres for disturbance associated with the methane degasification well sites. Of the 37.3 acres requested for Phase I bond release, the Permittee has also requested Phase II Bond release for 18.95 acres. The acreages identified for Phase I and II bond release are associated with disturbance generated by the construction/utilization of methane degasification well sites reclaimed between the years 2005 and 2013.

CHRONOLOGY FOR PHASE III BOND RELEASE

2005 – 2013	Attachment 5-2, Table 1- Provides reclamation work time-table for the various methane degasification sites (Attached to Technical Analysis)
October 15, 2014	Canyon Fuel Company, LLC submits the Phase I & II bond release application for the select methane degasification well sites.
October 28, 2014	The Division returns the application denied/deficient due to lack of compliance with R645-301.880. The Division approves the newspaper notice for publication.
October 28, 2014	The Division sends letters of invitation for the bond release

inspection to be held November 19, 2014 to:
Roger Bankert, BLM;
Alan Boehms, OSM;
David Horsley, Division of Water Rights;
Bill Howell, Southeastern Utah AOG;
John Jones, Carbon County Commission;
Richard Lee, Carbon Water Conservancy District;
John Blake, Trust Lands Administration;
David Levanger, Carbon County Planning & Zoning;
Jae Potter, Carbon County Commission;
Jeff Richens, Price River Water Improvement District;
Chris Wood, Division of Wildlife Resources;
Patricia Clabaugh, BLM;
Sue Wiler, BLM;
Dave Spillman, Canyon Fuel Company, LLC;
Milton & Ardith Thane Trust;
George & Alice Conover
Gil Conover

October 30, 2014

Canyon Fuel Company, LLC sends letters to local governments, planning agencies, surface owners, and subsurface owners, notifying them of the proposed bond release:

Gil Conover
Carbon County Planning/Zoning
Glen Wells
KFJ Ranch Partnership
Milton and Ardith Thayn Trust
Price City Administration
Wellington City Hall/Public Works
Price River Water Improvement District
Bureau of Land Management
Price Public Works
Bowie Resources Partners
Carbon County Commissioners
Wellington Canal Company
Division of Oil Gas & Mining

November 3, 2014

Canyon Fuel Company, LLC re-submits the Phase I & II bond release application, the application includes copies of the letters sent to stakeholders.

November 19, 2014

Phase I & II bond release inspection. In attendance:
Dave Spillman, Canyon Fuel Company
Bill King, Canyon Fuel Company
Chris Hansen, Canyon Fuel Company
Daron Haddock, Lisa Reinhart, Joe Helfrich, Priscilla Burton,
Amanda Daniels, Cheryl Parker, UDOGM

Makeda Trujillo, Division of Wildlife Resources
Flynn Dickinson, OSM

October 30 and November 6, 13 and 20, 2014	Phase I & II Bond Release Published in the Sun Advocate.
December 20, 2014	Public comment period closes. The Division receives no comments.
January 2, 2015	The Division receives the Affidavit of Publication for Phase I & II Bond Release.
January 2, 2015	The Division receives concurrence from BLM.
January 5, 2015	The Division recommends Phase I bond release approval for all of the proposed well sites & Phase I/II bond release of the listed well sites.

SUMMARY OF FINDINGS

The Phase I & II bond release was advertised for four consecutive weeks. No comments were received during the public comment period. A bond release inspection was conducted on November 19, 2014. The technical analysis for Phase I & II bond release is attached. The following sites were determined to meet the requirements for Phase I & II bond release:

G2: Phase II bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.

G3: Phase II bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.

G4: Phase II bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.

G5: Phase II bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.

G6: Phase II bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.

G7: Phase II bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.

G10: Phase II bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.

G12: Phase II bond release recommended as the site appears stable with minimal signs

of erosion through the reclaimed area and along the disturbed/undisturbed boundary.

G13: Site has been re-contoured to pre-disturbance. Erosion is evident on cut slope. This site should continue to be monitored and maintained. Phase II bond release recommended with continued maintenance on two large rills along the cut slope. An investigation at the drainage above this site might be helpful in decreasing the drainage to this area. The site appears stable with moderate signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.

G14: Site has been re contoured, seeded and vegetation is establishing Phase II bond release recommended. The site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.

G18: Site has been re contoured, seeded and vegetation is established. It is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase II bond release recommended. The site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.

G31: Site has been re contoured, seeded and vegetation is established. It is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase II bond release recommended.

The following sites were determined to meet the requirements of Phase I bond release only:

G9: Phase I bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.

G16: Phase I bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary. Approximately 475 feet of access road associated with the pad is also recommended for Phase I bond release.

G19: Site has been re contoured, seeded and vegetation is establishing but requires additional erosion control and monitoring. Phase I bond release recommended with continued maintenance to all the rills along the cut slope. An investigation at the drainage area above this site might be helpful in decreasing the drainage to this area. The cute slope appears to be relatively stable with little to no raveling visible along the top of the exposed cut face. Moderate signs of erosion and degradation continue to develop through the reclaimed area and along the lower portion of the slope below the reclaimed site. A portion (1200 feet) of the AMV road has been re-contoured and seeded.

G22: Phase I bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary. Approximately 1,200 feet of access road associated with the pad is also recommended for Phase I bond release.

G25: Phase I bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.

G26: Phase I bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.

G30: Site has been re-contoured and seeded but perennial vegetation from the seed mix is not established. Exceptional sagebrush seedlings are evident. Phase I bond release recommended.

AMV Road: Phase I bond release Approximately 1,350 feet of the AMV Road is recommended for Phase I bond release.

G31 Access Road: Phase I bond release is recommended for approximately 400 feet of associated access road.

PHASE I & II BOND RELEASE RECOMMENDATION

The recommendation is that the Division approves Phase I bond release for the all of the select methane degasification well sites G2, G3, G4, G5, G6, G7, G9, G10, G12, G13, G14, G16, G18, G19, G22, G25, G26, G30 and G31. Phase I bond release applies to 37.3 acres.

The Division approves Phase II bond release for the following methane degasification well sites G2, G3, G4, G5, G6, G7, G10, G12, G13, G14, G19 and G31. Phase II bond release applies to 18.95 acres.

The Permittee has applied for a bond reduction in the amount of \$207,565.00 for the disturbance in the aforementioned areas. Pending OSM concurrence/final approval, the remaining bond amount required for reclamation of the Dugout Canyon Mine would total \$2,796,000.



State of Utah
 DEPARTMENT OF NATURAL RESOURCES
 MICHAEL R. STYLER
Executive Director
 Division of Oil, Gas and Mining
 JOHN R. BAZA
Division Director

Technical Analysis and Findings

Utah Coal Regulatory Program

January 5, 2015

PID: C0070039
TaskID: 4711
Mine Name: DUGOUT CANYON MINE
Title: PHASE I & II BOND RELEASE

General Contents

Permit Application Format and Contents

Analysis:

Permittee submitted updates to Attachment 2-4, in Dugout's Mine Reclamation Plan - Methane Degasification Amendment, and Attachment 5-2, Table 1, see attachment, in Dugout's Mine Reclamation Plan - Methane Degasification Amendment. The changes within each table reflected the updated year when each of the respective Degas Wells was plugged and when final reclamation was completed.

cparker

Environmental Resource Information

General

Analysis:

G3: The site is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase 2 bond release recommended. Permittee plans to request phase 3 release in 2015.

G7: Site has been re contoured, seeded and vegetation is established. It is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase 2 bond release recommend.

G6: Site has been re contoured, seeded and vegetation is established. Phase 2 bond release recommend.

G4: Site has been re contoured, seeded and vegetation is established. Road and slash pile were pre existing from timber development. Phase 2 bond release recommend. Permittee plans to request phase 3 release next year.

G2: Site has been re contoured, seeded and vegetation is established. It is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase 2 bond release recommend.

G5: Site has been re contoured, seeded and vegetation is established. It is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase 2 bond release recommend.

G16: Site has been re contoured and seeded but perennial vegetation from the seed mix is not established. Phase 1 bond release recommend.

G22: Site has been re contoured and seeded but perennial vegetation from the seed mix is not established. Phase 1 bond

release recommend.

G13: Site has been re contoured, seeded and vegetation is established. Site has been recontoured to predisturbance. Erosion is evident on slope and should continued to be monitored. Phase 2 bond release recommend with continued maintenance on rilling slope.

G12: Site has been re contoured, seeded and vegetation is established. Not back to original contour because landowner wanted to keep a pad and still meets the post mining land use for grazing operations. Phase 2 bond release recommend.

G9: Site has been re contoured, seeded and vegetation is establishing. Heavy weed invasion needs continued maintenance. Phase 1 bond release recommend with continued weed control.

G10: Site has been re contoured, seeded and vegetation is established. It is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase 2 bond release recommend.

G25: Site has been re contoured and seeded but perennial vegetation from the seed mix is not established. Phase 1 bond release recommend.

G26: Site has been re contoured and seeded but perennial vegetation from the seed mix is not established. Phase 1 bond release recommend.

G30: Site has been re contoured and seeded but perennial vegetation from the seed mix is not established. Exceptional sagebrush seedings are evident. Phase 1 bond release recommend.

G14: Site has been re contoured, seeded and vegetation is establishing Phase 2 bond release recommend.

G31: Site has been re contoured, seeded and vegetation is established. It is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase 2 bond release recommend.

G18: Site has been re contoured, seeded and vegetation is established. It is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase 2 bond release recommend.

G19: Site has been re contoured, seeded and vegetation is establishing but requires additional erosion control and monitoring. Phase 1 bond release recommend. A portion (1200 feet) of the AMV road has been recontoured and seeded.

ireinhart

Operation Plan

Road Systems Classification

Analysis:

Access roads to the reclaimed sites are currently maintained by the landowner on a regular basis. Drainage ditches, culverts, and grading conveyed water off the roads in a controlled manor. In areas where heavy erosion has been experience in the past, check dams where installed along the AMV road. The current task does not change the classification of any of the roads. The entrance to each of the reclaimed well sites is fenced with a well maintained sign showing the current landowner information (Canyon Fuel Company, LLC). The site also states that the site is a reclaimed area. Subsoil and Top soil signs have been removed as required for regarding and reclamation

cparker

Reclamation Plan

Approximate Original Contour Restoration

Analysis:

All well pads were restored to approximate original contour except G13 and G19. A cut slope was left partial exposed at G13 in order to make a larger turn around area requested by the landowner for post mining use. There are several rills that are developing on the cut slope likely due to poor drainage on the roadway above this site. The location of G19 on a steep slope resulted in cut slope that remained exposed due to the fact that equipment could not proper reach the area for compaction and reclamation. The site continues to erode and maintenance will be required at and below the reclaimed pad.

cparker

Backfill and Grading General

Analysis:

- G2: Phase 2 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G3: Phase 2 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G7: Phase 2 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G6: Phase 2 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G4: Phase 2 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G5: Phase 2 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G16: Phase 1 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G22: Phase 1 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G13: Site has been recontoured to predisturbance. Erosion is evident on cut slope. This site should continue to be monitored and maintained. Phase 2 bond release recommended with continued maintenance on two large rills along the cut slope. An investigation at the drainage above this site might be helpful in decreasing the drainage to this area. The site appears stable with moderate signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G12: Phase 2 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G9: Phase 1 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G10: Phase 2 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G25: Phase 1 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G26: Phase 1 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G30: Site has been re contoured and seeded but perennial vegetation from the seed mix is not established. Exceptional sagebrush seedings are evident. Phase 1 bond release recommended.
- G14: Site has been re contoured, seeded and vegetation is establishing Phase 2 bond release recommended. The site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G31: Site has been re contoured, seeded and vegetation is established. It is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase 2 bond release recommended.
- G18: Site has been re contoured, seeded and vegetation is established. It is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase 2 bond release recommended. The site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G19: Site has been re contoured, seeded and vegetation is establishing but requires additional erosion control and monitoring. Phase 1 bond release recommended with continued maintenance to all the rills along the cut slope. An investigation at the drainage area above this site might be helpful in decreasing the drainage to this area. The cute slope appears to be relatively stable with little to no raveling visible along the top of the exposed cut face. Moderate signs of

erosion and degradation continue to develop through the reclaimed area and along the lower portion of the slope below the reclaimed site. A portion (1200 feet) of the AMV road has been recontoured and seeded.

cparker

Road System Reclamation

Analysis:

Drainage ditches along the all access road appeared to be stable and functioning as intended.

cparker

Hydrological Information Reclamation Plan

Analysis:

- G2: Phase 2 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G3: Phase 2 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G7: Phase 2 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G6: Phase 2 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G4: Phase 2 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G5: Phase 2 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G16: Phase 1 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G22: Phase 1 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G13: Site has been recontoured to predisturbance. Erosion is evident on cut slope. This site should continue to be monitored and maintained. Phase 2 bond release recommended with continued maintenance on two large rills along the cut slope. An investigation at the drainage above this site might be helpful in decreasing the drainage to this area. The site appears stable with moderate signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G12: Phase 2 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G9: Phase 1 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G10: Phase 2 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G25: Phase 1 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G26: Phase 1 bond release recommended as the site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G30: Site has been re contoured and seeded but perennial vegetation from the seed mix is not established. Exceptional sagebrush seedlings are evident. Phase 1 bond release recommended.
- G14: Site has been re contoured, seeded and vegetation is establishing Phase 2 bond release recommended. The site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G31: Site has been re contoured, seeded and vegetation is established. It is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase 2 bond release recommended.
- G18: Site has been re contoured, seeded and vegetation is established. It is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase 2 bond release recommended. The site appears stable with minimal signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary.
- G19: Site has been re contoured, seeded and vegetation is establishing but requires additional erosion control and monitoring. Phase 1 bond release recommended with continued maintenance to all the rills along the cut slope. An investigation at the drainage area above this site might be helpful in decreasing the drainage to this area. The cuted slope appears to be relatively stable with little to no raveling visible along the top of the exposed cut face. Moderate signs of erosion and degradation continue to develop through the reclaimed area and along the lower portion of the slope below the

reclaimed site. A portion (1200 feet) of the AMV road has been recontoured and seeded.

adaniels

Stabilization of Surface Areas

Analysis:

G19 and G13 have cut slopes that were not reclaimed exactly to AOC due to site conditions and upon request of the landowner. Moderate signs of erosion can be seen as rills at both sites. Continued maintenance will be required until drainage through these sites is controlled.

cparker

Bonding and Insurance General

Analysis:

Canyon Fuel Company, LLC currently has insurance under National Union Fire Insurance Co, which meet the R645-301-800 requirements

cparker

Bonding Determination of Amount

Analysis:

The mine currently has a surety bond in place of \$3,550,000. The principal hold is Lexon Insurance Co as of 8/15/13 with Iron shore Indemnity Inc. providing a raider as full guarantee for obligations undertaken by Lexon Insurance Co.

G2: Phase 2 bond release recommended

G3: Phase 2 bond release recommended

G4: Phase 2 bond release recommended

G5: Phase 2 bond release recommended

G6: Phase 2 bond release recommended

G7: Phase 2 bond release recommended

G9: Phase 1 bond release recommended

G10: Phase 2 bond release recommended

G12: Phase 2 bond release recommended

G13: Erosion is evident on cut slope. This site should continue to be monitored and maintained. Phase 2 bond release recommend with continued maintenance on two large rills along the cut slope

G14: Phase 2 bond release recommended

G16: Phase 1 bond release recommended

G18: Phase 2 bond release recommended.

G19: Phase 1 bond release recommended with continued maintenance to all the rills along the cut slope.

G22: Phase 1 bond release recommended

G25: Phase 1 bond release recommended

G26: Phase 1 bond release recommended

G30: Phase 1 bond release recommended

G31: Phase 2 bond release recommended

The final Total Phase I & II Bond release amount is \$207,565.

The new adjusted Total Bond amount in 2015 Dollars is \$2,796,000.

cparker

Well No.	Year Constructed		Year Plugged		Contemporaneous Reclamation		Final Reclamation	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
G-2		2004		2009	2007			2009
G-3		2004		2005		2005		2005
G-4		2004		2005				2005
G-5		2004		2009	2007			2009
G-6		2004		2005				2007
G-7		2005		2008/2009	2007			2009
G-9		2005		2008	2008		2010	2012
G-10	2006	2006		2008	2007		2010	2010
G-11	2006	2006		2008	2008		2015	
G-12	2006	2006		2009	2007		2010	2011
G-13	2006	2006		2008	2008			2009
G-14	2006	2006	2010 (B)	2009 (A)	2008		2010	2010
G-15	N/A				2008		2014	
G-16	2008	2008					2011	2013
G-17	N/A						2014	
G-18	2007	2007	2010	2008 (A)	2009		2010	2012
G-19	2007	2007		2008	2008		2010	2010
G-22		2008					2011	2013
G-25		2009					2013	2013
G-26		2009					2013	2013
G-30	2010							2013
G-31	2007	2007	2010	2008 (A)	2009		2011	2013

Dates are approximate, all events are subject to availability of contractors, weather, mining needs, etc. Although permitted, wells G-1, G-8 and G-29 were never drilled/constructed.

Attachment 5-2 and
Attachment 2-4

AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

SS.

County of Carbon,)

I, Richard Shaw, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State of Utah a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and on the Utah legals.com website, the first publication was on the 30th day of October, 2014, and that the last publication of such notice was in the issue of such newspaper dated the 20th day of November 2014.

Richard Shaw – Publisher

Subscribed and sworn to before me this 20th day of November, 2014.

Notary Public My commission expires January 10, 2015 Residing at Price, Utah

Publication fee, \$ 907.20



PUBLIC NOTICE PHASE I AND II BOND RELEASE APPLICATION DUGOUT CANYON MINE, CANYON FUEL COMPANY

Public Notice
Phase I and II Bond Release Application
Dugout Canyon Mine
Canyon Fuel Company
P.O. Box 1029
Wellington, UT 84542
MSHA # 42-01890
Permit # C/007/039
Permit Renewed 3/16/2013

Notice is hereby given that Canyon Fuel Company has filed an application with the Utah Department of Natural Resources, Division of Oil, Gas and Mining for Phase I and II Bond Release for 37.3 acres of the Dugout Canyon Mine.

All areas for bond release have met the regulation of the R645 Utah Coal Rules in regards to the vegetation standards for Phase I and II Bond Release (refer to R645-301-800). The Methane Degasification Well sites are proposed for release. The locations of the areas are as follows:

Methane Degasification Well Sites, the permit area is located in Carbon County, Utah as follows:

- G-2 Portion of N1/2SW1/4NE1/4 Section 24 Township 13 South, Range 12 East
- G-3 Portion of N1/2SW1/4NW1/4 Section 19 Township 13 South, Range 13 East
- G-4 Portion of N1/2NE1/4NW1/4 Section 24 Township 13 South, Range 12 East
- G-5 Portion of N1/2NW1/4NE1/4 Section 24 Township 13 South, Range 12 East
- G-6 Portion of S1/2SW1/4NW1/4 Section 18 Township 13 South, Range 13 East
- G-7 Portion of SW1/4NE1/4SE1/4 Section 24 Township 13 South, Range 12 East
- G-9 Portion of NW1/4NW1/4SW1/4 Section 21 Township 13 South, Range 13 East
- G-10 Portion of NE1/4NE1/4SE1/4 Section 20 Township 13 South, Range 13 East
- G-12 Portion of SE1/4NW1/4SW1/4 Section 20 Township 13 South, Range 13 East
- G-13 Portion of NW1/4NE1/4SE1/4 Section 19 Township 13 South, Range 13 East
- G-14 Portion of SW1/4SW1/4SE1/4 Section 17 Township 13 South, Range 13 East
- G-16 Portion of SW 1/4SE1/4SE1/4 Section 18 Township 13 South, Range 13 East
- G-18 Portion of NE1/4SE1/4NW1/4 Section 20 Township 13 South, Range 13 East
- G-19 Portion of SW1/4NW1/4SE1/4 Section 20 Township 13 South, Range 13 East
- G-22 Portion of NE1/4SE1/4SE1/4 Section 18 Township 13 South, Range 13 East
- G-22 Access Road Portions of SE 1/4 Section 18 Township 13 South, Range 13 East
- G-25 Portion of SW1/4SE1/4SE1/4 Section 20 Township 13 South, Range 13 East
- G-26 Portion of NE1/4NE1/4NW1/4 Section 29 Township 13 South, Range 13 East
- G-30 Portion of NE1/4SW1/4NW1/4 Section 29 Township 13 South, Range 13 East
- G-31 Portion of NW1/4SW1/4NW1/4 Section 20 Township 13 South, Range 13 East
- AMV Road Part 1 Portion of S1/2NW1/4 Section 20 Township 13 South, Range 13 East

Incremental reclamation of the noted areas above began in 2005.

The Phase I and II bond release application is for a surety bond reduction of \$ 250,320 on the current bond for Dugout Canyon Mine. All areas within the Methane Degasification Well sites meet the requirements of the regulations for post mine land use of Wildlife Habitat, Recreational, Grazing and Vegetation establishment.

A copy of the Phase I and II bond release application may be examined at the office of Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, Salt Lake City, Utah 84114-5801 and written comments, objections, or requests for an informal conference may be submitted to the Salt Lake City address. Said comments must be submitted thirty (30) days from the date of the last publication of this notice. This notice is being published to comply with the Surface Mining Control and Reclamation Act of 1977, and State and Federal regulations promulgated pursuant to said Act.

Published in the Sun Advocate October 30 November 6 13 and 20 2014



GARY R. HERBERT
Governor

GREG BELL
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

Inspection Report

Permit Number:	C0070039
Inspection Type:	BOND RELEASE
Inspection Date:	Wednesday, November 19, 2014
Start Date/Time:	11/19/2014 8:00:00 AM
End Date/Time:	11/19/2014 3:00:00 PM
Last Inspection:	Thursday, November 13, 2014

Representatives Present During the Inspection:	
OGM	Lisa Reinhart
Company	David Spillman
Company	Bill King
OGM	Daron Haddock
OGM	Priscilla Burton
OGM	Joe Helfrich
OGM	Amanda Daniels
OGM	Cheryl Parker
OSM	Flynn Dickinson
DWR	Makeda Trujillo
Company	Chris Hansen

Inspector:

Weather: Cold and clear 30 F

InspectionID Report Number: 4028

Accepted by: DHADDOCK

11/26/2014

Permittee: **CANYON FUEL COMPANY**
 Operator: **CANYON FUEL COMPANY**
 Site: **DUGOUT CANYON MINE**
 Address: **PO BOX 1029, WELLINGTON UT 84542**
 County: **CARBON**
 Permit Type: **PERMANENT COAL PROGRAM**
 Permit Status: **ACTIVE**

Current Acreages

9,801.00	Total Permitted
108.70	Total Disturbed
	Phase I
	Phase II
	Phase III

Mineral Ownership

- Federal
- State
- County
- Fee
- Other

Types of Operations

- Underground
- Surface
- Loadout
- Processing
- Reprocessing

Report summary and status for pending enforcement actions, permit conditions, Division Orders, and amendments:

Dugout Canyon Mine submitted Phase I and Phase II Bond Release request for multiple methane degasification sites in Application dated November 3, 2014. Public notice was published in the Sun Advocate Oct 30, Nov 6, 13, and 20. Representatives from OGM, OSM, BLM, DWR, and Bowie Resource Partners, LLC visited each degasification site listed below (with the exception of G14 which was inspected 10/15/14) to determine if bond release is recommended. Recommendations for each Degas site are listed as follows:

Phase 1 & phase 2 bond release

G2, G3, G4, G5, G6, G7, G10, G12, G14, G13, G18, G31

Phase 1 bond release only

G9, G16 & access road (~475 ft), G19, G22 and access road (~1,200 ft), G25, G26, G30, portion of AMV road (~1,350 ft), G31 access road (~400 ft)

This report documents the inspection and recommendation for bond release at the Dugout Gob Vent Holes applied for by the Operator. Actual bond release cannot occur until after the public comment period ends (December 20, 2014) and the Division has received concurrence from the appropriate agencies and made the final written determination.

Inspector's Signature:

Lisa Reinhart

Digitally signed by Lisa Reinhart

DN: cn=Lisa Reinhart, o=DNR,

ou=DOGM, email=lreinhart@utah.gov,

c=US

Date: 2014.11.26 15:20:25 -07'00'

Date Wednesday, November 19, 2014

1594 West North Temple, Suite 1000, Salt Lake City, UT 84119
 telephone (801) 538-5340 • fax (801) 538-5341



Permit Number: C0070039
Inspection Type: BOND RELEASE
Inspection Date: Wednesday, November 19, 2014

Inspection Continuation Sheet

Page 2 of 6

Inspector ID Number:

Note: This inspection report does not constitute an affidavit of compliance with the regulatory program of the Division of Oil, Gas and Mining.

REVIEW OF PERMIT, PERFORMANCE STANDARDS PERMIT CONDITION REQUIREMENTS

1. Substantiate the elements on this inspection by checking the appropriate performance standard.
 - a. For COMPLETE inspections provide narrative justification for any elements not fully inspected unless element is not appropriate to the site, in which case check Not Applicable.
 - b. For PARTIAL inspections check only the elements evaluated.
2. Document any noncompliance situation by reference the NOV issued at the appropriate performance standard listed below.
3. Reference any narratives written in conjunction with this inspection at the appropriate performance standard listed below.
4. Provide a brief status report for all pending enforcement actions, permit conditions, Divison Orders, and amendments.

	Evaluated	Not Applicable	Comment	Enforcement
1. Permits, Change, Transfer, Renewal, Sale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Signs and Markers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Topsoil	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.a Hydrologic Balance: Diversions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.b Hydrologic Balance: Sediment Ponds and Impoundments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.c Hydrologic Balance: Other Sediment Control Measures	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.d Hydrologic Balance: Water Monitoring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.e Hydrologic Balance: Effluent Limitations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Explosives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Disposal of Excess Spoil, Fills, Benches	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Coal Mine Waste, Refuse Piles, Impoundments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Noncoal Waste	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Protection of Fish, Wildlife and Related Environmental Issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Slides and Other Damage	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11. Contemporaneous Reclamation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Backfilling And Grading	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
13. Revegetation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
14. Subsidence Control	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Cessation of Operations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.a Roads: Construction, Maintenance, Surfacing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.b Roads: Drainage Controls	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
17. Other Transportation Facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. Support Facilities, Utility Installations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19. AVS Check	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. Air Quality Permit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21. Bonding and Insurance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22. Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4.c Hydrologic Balance: Other Sediment Control Measures

The de-gas sites inspected appeared for the most part to be stable, without sediment leaving the disturbed area. The only two sites that appeared to have erosion taking place were sites G13 and G19. G13 only had one rill on the upper sloped area of the pad. This site could have phase 2 bond release, knowing that the area with erosion taking place will need ongoing maintenance and observation. Site G19 is in a very steep location and erosion damage to the site has been observed during past inspections as well as during the bond release inspection. Waddles have recently been placed to help control and prevent future damage. G19 should not yet be granted phase 2 bond release, but could receive phase 1.

10. Slides and Other Damage

All site appeared to be relatively stable with minimal signs of erosion through out the reclaimed areas and along the disturbed/undisturbed boundaries.

12. Backfilling And Grading

G13:Site has been recontoured to predisturbance. Erosion is evident on cut slope. This site should continue to be monitored and maintained. Phase 2 bond release recommend with continued maintenance on two large rills along the cut slope. An investigation at the drainage above this site might be helpful in decreasing the drainage to this area. The site appears stable with moderate signs of erosion through the reclaimed area and along the disturbed/undisturbed boundary. G19:Site has been re contoured, seeded and vegetation is establishing but requires additional erosion control and monitoring. Phase 1 bond release recommend with continued maintenance to all the rills along the cut slope. An investigation at the drainage area above this site might be helpful in decreasing the drainage to this area. The cut slope appears to be relatively stable with little to no raveling visible along the top of the exposed cut face. Moderate signs of erosion and degradation continue to develop through the reclaimed area and along the lower portion of the slope below the reclaimed site.

13. Revegetation

G3: The site is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase 2 bond release recommended. Permittee plans to request phase 3 release in 2015.

G7: Site has been re contoured, seeded and vegetation is established. It is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase 2 bond release recommend.

G6: Site has been re contoured, seeded and vegetation is established. Phase 2 bond release recommend.

G4: Site has been re contoured, seeded and vegetation is established. Road and slash pile were pre existing from timber development. Phase 2 bond release recommend. Permittee plans to request phase 3 release next year.

G2: Site has been re contoured, seeded and vegetation is established. It is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase 2 bond release recommend.

G5: Site has been re contoured, seeded and vegetation is established. It is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase 2 bond release recommend.

G16: Site has been re contoured and seeded but perennial vegetation from the seed mix is not established. Phase 1 bond release recommend.

G22: Site has been re contoured and seeded but perennial vegetation from the seed mix is not established. Phase 1 bond release recommend.

G13: Site has been re contoured, seeded and vegetation is established. Site has been recontoured to predisturbance. Erosion is evident on slope and should continued to be monitored. Phase 2 bond release recommend with continued maintenance on rilling slope.

G12: Site has been re contoured, seeded and vegetation is established. Not back to original contour because landowner wanted to keep a pad and still meets the post mining land use for grazing operations. Phase 2 bond release recommend.

G9: Site has been re contoured, seeded and vegetation is establishing. Heavy weed invasion needs continued maintenance. Phase 1 bond release recommend with continued weed control.

G10: Site has been re contoured, seeded and vegetation is established. It is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase 2 bond release recommend.

G25: Site has been re contoured and seeded but perennial vegetation from the seed mix is not established. Phase 1 bond release recommend.

G26: Site has been re contoured and seeded but perennial vegetation from the seed mix is not established. Phase 1 bond release recommend.

G30: Site has been re contoured and seeded but perennial vegetation from the seed mix is not established. Exceptional sagebrush seedings are evident. Phase 1 bond release recommend.

G14:Site has been re contoured, seeded and vegetation is establishing Phase 2 bond release recommend.

G31:Site has been re contoured, seeded and vegetation is established. It is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase 2 bond release recommend.

G18:Site has been re contoured, seeded and vegetation is established. It is enhanced for habitat for wildlife by the establishment of vegetation for wildlife food, cover, and breaks up large blocks of monoculture habitat. Phase 2 bond release recommend.

G19:Site has been re contoured, seeded and vegetation is establishing but requires additional erosion control and monitoring. Phase 1 bond release recommend. A portion (1200 feet) of the AMV road has been recontoured and seeded.

16.b Roads: Drainage Controls

Drainage ditches along the all access road appeared to be stable and functioning as intended.

G2: Phase 2 bond release recommended



G3: Phase 2 bond release recommended



G4: Phase 2 bond release recommended



G5: Phase 2 bond release recommended



G6: Phase 2 bond release recommended



G7: Phase 2 bond release recommended



G9: Phase 1 bond release recommended



G10: Phase 2 bond release recommended



G12: Phase 2 bond release recommended



G13: Phase 2 bond release recommended



G14: Phase 2 bond release recommended



G16: Phase 1 bond release recommended



G16 Access Road (~475 feet): Phase 1 bond release recommended



G18: Phase 2 bond release recommended



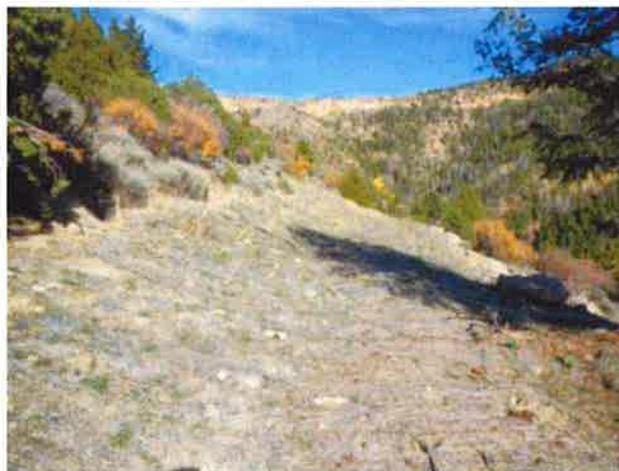
G19: Phase 1 bond release recommended



G22: Phase 1 bond release recommended



G22 Access Road (~1,200 ft) Phase 1 bond release recommended



G25: Phase 1 bond release recommended



G26: Phase 1 bond release recommended



G30: Phase 1 bond release recommended



G31: Phase 2 bond release recommended



~1,350 feet of AMV Road: Phase 1 bond release recommended



C/007/039 Incoming
cc: Steve C



United States Department of the Interior



BUREAU OF LAND MANAGEMENT
Green River District
Price Field Office
125 South 600 West
Price, UT 84501
<http://www.blm.gov/ut/st/en/fo/price.html>

JAN 02 2015

DEC 29 2014

In Reply Refer To:
3474 (UTG023)

Daron Haddock
Utah Division of Oil Gas and Mining
P.O. Box 145801
Salt Lake City, Utah 84114-5801

Dear Mr. Haddock:

Subject: Phase I and II Bond Release Inspection for Reclaimed Areas of the Dugout Canyon Mine,
C/007/0039, Task ID #4705.

Phase I and II Bond Release Inspection took place on November 19, 2014. Canyon Fuel Company, LLC has completed Phase I and II for select Methane Degasification Sites. The bond application requests a release of 37.3 acres. Enclosed is a table listing the sites that have the Bureau of Land Management's concurrence for Phase I and II bond release.

If you have any questions concerning this matter, please contact Steve Rigby at (435)636-3604.

Sincerely,

Ahmed Mohsen
Field Manager

Enclosure

cc: Roger Bankert (UT-920)

Methane Degasification Well	BLM Concurrence
G-2	Yes
G-3	Yes
G-4	Yes
G-5	Yes
G-6	Yes
G-7	Yes
G-9	Yes
G-10	Yes
G-11	Yes
G-12	Yes
G-13	Yes
G-15	Yes
G-16	Yes
G-18	Yes
G-19	Yes
G-22	Yes
G-25	Yes
G-26	Yes
G-30	Yes
G-31	Yes
AMV Road	Yes