

0016



**State of Utah**  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor  
Ted Stewart  
Executive Director  
James W. Carter  
Division Director

355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203  
801-538-5340  
801-359-3940 (Fax)  
801-538-5319 (TDD)

December 17, 1996

TO: File

THROUGH: Daron Haddock, Permit Supervisor

FROM: Paul Baker, Reclamation Biologist 

Re: Permit Transfer Application, Coastal States Energy Company, Convulsion Canyon Mine, ACT/041/002, Folder #2, Sevier County, Utah

**SUMMARY:**

On November 13, 1996, the Division received a proposal to transfer the permit for the Convulsion Canyon Mine from Coastal States Energy Company to Canyon Fuel Company, LLC. Additional information was received December 16, 1996. Canyon Fuel Company is a company formed by the merger of Coastal States Energy Company and all of its subsidiaries through a purchase and sale agreement entered into by The Coastal Corporation, Coastal Coal Company, Atlantic Richfield Company, and Itochu Corporation. Canyon Fuel Company was subsequently sold to Arco Uinta Coal Company, a fully-owned subsidiary of the Atlantic Richfield Company, and Itochu Coal International, Inc., a fully-owned subsidiary of Itochu Corporation.

**TECHNICAL ANALYSIS:**

***ADMINISTRATIVE FINDINGS***

**IDENTIFICATION OF INTERESTS, VIOLATION INFORMATION, AND  
RIGHT OF ENTRY INFORMATION**

**Identification of Interests**

Analysis:

The applicant and operator are Canyon Fuel Company, LLC. The application lists the applicant's address and telephone number and says the employer identification number is to be applied for. The employer identification number will need to be included in the

application when it becomes available.

The resident agent is CT Corporation Systems, and the contact person is David Arnolds. Canyon Fuel Company will pay the abandoned mine reclamation fee.

The application lists the employer identification numbers and the officers and directors of Canyon Fuel Company, Arco Uinta Coal Company, and Atlantic Richfield Company. It also shows the officers' and directors' social security numbers, their positions, and the dates the positions were assumed. The application also lists the directors and officers of the Itochu Corporation and Itochu Coal International, Inc., the positions these people hold, and the dates these positions were assumed. It does not list social security numbers for the directors and officers of the Itochu Corporation and Itochu Coal International, Inc., because they are Japanese nationals.

The application lists other coal mining and reclamation operations owned or controlled by Atlantic Richfield Company or its subsidiaries together with these mines' MSHA numbers and permit numbers. The Itochu Corporation does not own or control any interest, direct or indirect, in any other entity having coal mining operations in the United States, and none of its officers or directors are directors or officers of any other entity that owns or controls an interest in an entity having coal mining operations in the United States.

The application lists the owners of surface and mineral property within and contiguous to the permit area. In addition, Volume 3 of the current mining and reclamation plan shows land ownership information for the area of the waste rock disposal facility. Some of the land is shown as being owned by Coastal States Energy Company. However, the application contains a statement that any charts, maps, drawings, exhibits, etc., in the mining and reclamation plan bearing the name of Coastal States Energy Company or its coal mining subsidiaries in Utah should be read with the name of Canyon Fuel Company, LLC.

#### Findings:

The application is considered adequate with regard to this section of the regulations.

#### **Violation Information**

#### Analysis:

Neither Canyon Fuel Company nor any major stockholder of the company has had a state or federal mining permit suspended or revoked or a security deposited in lieu of bond revoked. Neither Canyon Fuel Company, any of its mining operations, nor any person who owns or controls Canyon Fuel Company has any unabated cessation orders or unabated air or

water quality violation notices.

Because Canyon Fuel Company is a new entity, its operations have never received any notices of violation. However, the application lists violation notices received by Coastal States Energy Company's operations for at least the past four years.

**Findings:**

The application is considered adequate with regard to this section of the regulations.

**Right of Entry**

**Analysis:**

The application shows right of entry information for the federal leases and includes copies of the leases. The plan shows some areas as being owned by Coastal States Energy Company, but, as discussed above, there is a caveat statement near the beginning of the application that the name Coastal States Energy Company should be replaced with Canyon Fuel Company.

The application mentions an area of Forest Service land used for the mining operations and shown on Plate 5-6. Plate 5-6 indicates this is a Forest Service Special Use Permit Area.

**Findings:**

The application is considered adequate with regard to this section of the regulations.

**UNSUITABILITY CLAIMS**

**Analysis:**

The application says to the best of Canyon Fuel Company's knowledge, no portion of the permit area is designated or is under study for designation as unsuitable for mining. No operations will be conducted within 300 feet of an occupied dwelling, but they have been and will be conducted within 100 feet of public roads.

It does not appear that the plan contains approvals from road authorities to conduct mining and reclamation operations within 100 feet of public roads. However, this is an issue that should have been addressed previously, and the Division cannot now require the

information.

Findings:

The application is considered adequate with regard to this section of the regulations.

**PERMIT TERM, INSURANCE, PROOF OF PUBLICATION, FILING FEE,  
NOTARIZED SIGNATURE**

**Permit Term**

Analysis:

The application says the permit application covers the next five years of mining, but information is presented showing the approximate life of the mining operation. The permit will expire in May 1997.

Findings:

The application is considered adequate with regard to this section of the regulations.

**Insurance**

Analysis:

The application says certificates of insurance issued to Canyon Fuel Company will be added prior to closing and prior to approval of the permit transfer. The applicant needs to supply a certificate of insurance before the permit can be transferred.

Findings:

Information provided in the proposal is not considered adequate to meet the requirements of this section. Prior to final approval, the applicant must provide the following in accordance with:

**R645-301-117.100** The application needs to contain either a certificate of liability insurance or evidence of self-insurance in compliance with R645-301-800.

### **Proof of Publication**

#### **Analysis:**

Appendix 1-3 of the application contains a proposed newspaper advertisement of the permit transfer. The Division has now received a copy of the proof of publication dated November 13, 1996. This should be made part of the application; the Division could insert it into Appendix 1-3.

It does not appear that the advertisement included the Forest Service Special Use Permit Area where the main surface facilities are located. However, R645-303-322 only requires a description of the geographic location of the mine and not a complete legal description. Therefore, the Division can consider the proposed advertisement adequate.

#### **Findings:**

Information provided in the proposal is considered adequate to meet the requirements of this section.

### **Notarized Signature**

#### **Analysis:**

The application includes the notarized signature of an official of Canyon Fuel Company stating that the information in the application is true and correct to the best of information and belief. In addition, the Division has received correspondence from Coastal States Energy Company indicating it is their desire to transfer the application to Canyon Fuel Company.

#### **Findings:**

Information provided in the proposal is not considered adequate to meet the requirements of this section.

### **RECOMMENDATIONS:**

The applicant has complied with the requirements of R645-301-100 for a permit transfer with the exception of submitting a certificate of insurance. It may still be necessary to meet other requirements, such as bonding, not required by the general contents regulations.