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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

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Salt Lake City, Utah 84180-1203
801-538-5340
801-359-3940 (Fax)
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December 20, 1996

David M. Arnolds
Canyon Fuel Company, LLC
555 Seventeenth Street
Denver, Colorado 80202

Re: Approval for Transfer of Permit, Coastal States Energy Company to Canyon Fuel Company, LLC, SUFCO Convulsion Canyon Mine, ACT/041/002, Folder #3, Sevier County, Utah

Dear Mr. Arnolds:

The Division has found that Canyon Fuel Company, LLC has met all requirements for a permit transfer as required under R645-303-300. Therefore, in accordance with the attached findings, the request for transfer of the permit for the SUFCO Convulsion Canyon mine is hereby approved. The permit transfer will be effective upon the closing of the Purchase and Sale Agreement between The Coastal Corporation, Coastal Coal Company, Inc., Atlantic Richfield Company, and Itochu Corporation.

Since this transfer involves a new permittee, a revised permit is being issued which will be valid through the existing permit term (expires May 19, 1997). Two originals of the permit document are enclosed. Please sign them both, retaining one for your files, and return the other to the Division. Canyon Fuel Company, LLC will now be responsible for compliance with the terms and conditions of the existing permit including all existing commitments and obligations relating to the SUFCO Convulsion Canyon Mine transferred from Coastal States Energy Company.

You should now proceed to amend your Mining and Reclamation Plan (MRP) to reflect the changes. Appropriate replacement pages, including but not limited to the list of corporate officers, legal financial information, surface and coal ownership maps, lease ownership descriptions, and a variety of other pertinent information should all be updated and submitted for insertion to the MRP. Please submit 8 copies of the revised MRP information within 120 days, April 20, 1997, for distribution and processing. If you have any questions, please call Daron Haddock, Permit Supervisor at 539-5325.

Very Truly Yours,

James W. Carter
Director

blb
enclosures
cc: James Fulton OSM,
Clay Parr, Kimball Parr
Mary Ann Wright
D. Haddock
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FINDINGS

Canyon Fuel Company, LLC
Application for Permit Transfer
SUFCO Mine
ACT/041/002

December 20, 1996

Upon closing of the Purchase and Sale Agreement between the Coastal Corporation, Coastal Coal Company, Inc., Atlantic Richfield Company, and Itochu Corporation, Canyon Fuel Company, LLC will be responsible to continue to conduct the operations involved in full compliance with the terms and conditions of the permit originally issued to Coastal States Energy Company and most recently renewed on May 20, 1997. Therefore, Finding of the original Decision Document and renewal Decision Document are still pertinent and satisfy the requirements of R645-300-133.

Canyon Fuel Company, LLC has submitted a replacement performance bond sufficient to cover reclamation costs in the permit area. After this permit transfer has been effected, Canyon Fuel Company, LLC will be responsible for the entire area which was under permit by Coastal States Energy Company and will assume all liability for compliance with terms and conditions of the SUFCO mine permit and any orders, stipulations or conditions associated with that permit.

The following findings specifically apply to the application for permit transfer.

1. DOGM's records and the results of a 510{c} clearance check, show that neither Coastal States Energy Company, Canyon Fuel Company, LLC or any affiliates control or have controlled coal mining and reclamation operations with a demonstrated pattern of willful violations of the Act of such nature and duration and with such resulting irreparable damage to the environment as to indicate an intent not to comply with the Act. At the present time, affiliates of the Coastal Corporation and of the Atlantic Richfield Company do control coal mining operations that have outstanding enforcement issues, however, all of the issues have been, or are in the process of being corrected through the appropriate legal process, as required by R645-300-132. (Coastal entities involved in outstanding forfeiture issues will remain with Coastal and are not part of this transfer process.)

2. The State of Utah, DOGM has determined that the application for permit transfer is accurate and complete, and complies with the requirements of R645-300-133.100.

3. The applicant will have the legal right to enter and begin coal mining activities at the SUFCo Mine upon closing of the acquisition agreement between The Coastal Corporation, Coastal Coal Company, Inc., Atlantic Richfield Company, and Itochu Corporation to be executed December 20, 1996. (R645-300-133.300)

4. Coastal States Energy Company and Affiliates of Canyon Fuel Company, LLC have paid all reclamation fees from previous and existing coal mining and reclamation operations as required by 30 CFR part 870. (R645-300-133.730)

5. Procedures for public participation have complied with requirements of the Act and the Utah State Program. Notice was published in the Richfield Reaper on November 13, 1996 as required by R645-303-322. No comments were received.

6. The applicant has obtained a performance bond equivalent to the bonding requirements of the existing permit, in the amount of $3,988,000. (R645-303-342)

Permit Coordinator

Aaron R. Gladdock

Permit Supervisor

Associate Director, Mining

Director

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December 19, 1996

To: File

From: Pamela Grubaugh-Littig, Permit Coordinator PGL

Re: 510 (c) Recommendation for Permit Transfers, Skyline Mine, ACT/007/005, Soldier Canyon Mine, ACT/007/018, Banning Loadout, ACT/007/034, Convulsion Canyon Mine, ACT/041/002, Canyon Fuel Company, LLC, Folder #5, Carbon and Sevier Counties

As of this writing of this memo, there are no NOVs or COs which are not corrected or in the process of being corrected for any of the above-noted mines. There are no finalized civil penalties which are outstanding and overdue in the name of Canyon Fuel Company, LLC. Canyon Fuel Company, LLC does not have a demonstrated pattern of willful violations, nor have they been subject to any bond forfeitures for any operation in the state of Utah.

Attached are the OSM recommendations from the Applicant Violator System with an issue recommendation for each of the mines for this permitting action.

AVS Recom Maint Applicant Violator System 19-Dec-1996 09:17:52

State : UT Permit No : Appl No : ACT041002
Permittee : Seqno : 1
Applicant : 142816(CANYON FUEL CO LLC)

SYSTEM : I (ISSUE) Date : 19-Dec-1996 Mode : VIEW
Reason: 0 AML, 0 AUD, 0 CMIS, 0 FORF, 0 STATE, 0 NRSP VIOLATION(S)

OSMRE : I (ISSUE) Date : 19-Dec-1996 Mode : UPDATE
Reason: be

SRA : Date : Mode : VIEW
Reason:

SAVE(F5) DELETE(F8)
PRV_SCR(F3) QUIT(F4) CHOICES(F10)