



Canyon Fuel Company, LLC
SUFCO Mine
397 South 800 West
Salina, Utah 84654
(435) 637-4880 Fax: (435) 636-4499

0061

30 August, 1999

Utah Coal Regulatory Program
Permit Supervisor
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

RE: Final Submittal of SUFCO's June 24, 1999 ROW submittal on the 160-Acre Pines Tract Lease Modification, SUFCO Mine, ACT/041/002-99C, Third Submittal

Dear Permit Supervisor:

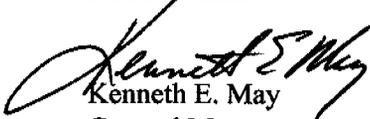
*2

Copy to cover (over)

This submittal is in response to the Divisions Conditional Approval letter dated August 2, 1999 requesting a copy of the right-of-way from the BLM and eight (8) clean copies (redline/strikeout removed) of the submittal for insertion to the Mining and Reclamation Plan. Therefore, these items are being submitted under the cover of this letter and attached C1 and C2 forms.

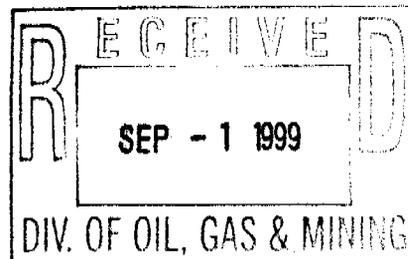
Your timely review and final approval of this submittal of the ROW on the 160-acre lease modification incidental boundary change will be greatly appreciated. Approval is respectfully requested by September 1, 1999. This action will allow continued operations of all mining sections at the SUFCO Mine and recovery of the reserves in the lease modification area.

Sincerely,
CANYON FUEL COMPANY, LLC
SUFCO Mine


Kenneth E. May
General Manager

Encl.

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APPLICATION FOR PERMIT PROCESSING

<input checked="" type="checkbox"/> Permit Change X	<input type="checkbox"/> New Permit	<input type="checkbox"/> Renewal	<input type="checkbox"/> Transfer	<input type="checkbox"/> Exploration	<input type="checkbox"/> Bond Release	Permit Number: ACT/041/002
Title of Proposal: 160-Acre ROW IBC Lease Modification to Lease UTU-76195, the Pines						Mine: SUFCO MINE
Tract: Third Submittal						Permittee: CANYON FUEL CO., LLC

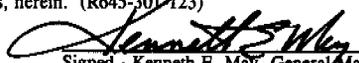
Description, include reason for application and timing required to implement: Lease Modification for 160 acres of reserves that are located in Lease UTU-76195, the Pines Tract. This permit amendment is respectfully requested by September 1, 1999 to meet planned mine development.

Instructions: If you answer yes to any of the first 8 questions (gray), submit the application to the Salt Lake Office. Otherwise, you may submit it to your reclamation specialist.

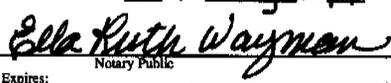
<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	1. Change in the size of the Permit Area? 160 acres Disturbed Area? _____ acres <input checked="" type="checkbox"/> increase <input type="checkbox"/> decrease.
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	2. Is the application submitted as a result of a Division Order? DO # _____
<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	3. Does application include operations outside a previously identified Cumulative Hydrologic Impact Area?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	4. Does application include operations in hydrologic basins other than as currently approved?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	5. Does application result from cancellation, reduction or increase of insurance or reclamation bond?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	6. Does the application require or include public notice/publication?
<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	7. Does the application require or include ownership, control, right-of-entry, or compliance information?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	8. Is proposed activity within 100 feet of a public road or cemetery or 300 feet of an occupied dwelling?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	9. Is the application submitted as a result of a Violation? NOV # _____
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	10. Is the application submitted as a result of other laws or regulations or policies? Explain: _____
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	11. Does the application affect the surface landowner or change the post mining land use?
<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	12. Does the application require or include underground design or mine sequence and timing? (Modification of R2P2?)
<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	13. Does the application require or include collection and reporting of any baseline information?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	14. Could the application have any effect on wildlife or vegetation outside the current disturbed area?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	15. Does application require or include soil removal, storage or placement?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	16. Does the application require or include vegetation monitoring, removal or revegetation activities?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	17. Does the application require or include construction, modification, or removal of surface facilities?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	18. Does the application require or include water monitoring, sediment or drainage control measures?
<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	19. Does the application require or include certified designs, maps, or calculations?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	20. Does the application require or include subsidence control or monitoring?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	21. Have reclamation costs for bonding been provided for?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	22. Does application involve a perennial stream, a stream buffer zone or discharges to a stream?
<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	23. Does the application affect permits issued by other agencies or permits issued to other entities?

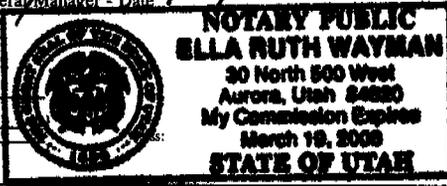
Attach 8 complete copies of the application.

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. (R645-301-123)


 Signed - Kenneth E. May, General Manager - Date 8/30/99

Subscribed and sworn to before me this 30th day of Aug., 1999.


 Notary Public



Received by Oil, Gas & Mining

RECEIVED

SEP - 1 1999

DIV. OF OIL, GAS & MINING

ASSIGNED TRACKING NUMBER

My Commission Expires: _____ 19____
 Attest: STATE OF UTAH
 COUNTY OF _____

114 Right-of-Entry Information

Copies of documents granting the legal right to enter and begin underground coal mining activities have not changed with the acquisition. They can be found in Appendix 1.1 Mining and Reclamation Plan for the SUFCO Mine, which is unmodified by this Notice of Change in Ownership and Control Information.

The right to enter the leaseholds conveyed by the Federal Coal Leases is conferred to the lessee by the Mineral Leasing Act of 1920 and the leases themselves. Copies of Federal Coal Leases U-47080, U-28297, U-62453, U-149084, U-63214, UTU-76195, and SL-062583 which grant the right to enter and conduct underground mining operations on the leased premises are presented in Appendix 1-2 Mining and Reclamation Plan for the SUFCO Mine. Appendix 1-2 is unmodified by this Notice of Change in Ownership and Control Information.

Federal Coal Lease SL-062583 grants the right to use lands for the construction and utilization of surface facilities necessary for underground coal mining.

The legal description of the SUFCO coal leases:

Federal Coal Lease U-28297 - (2,631.98 acres) - Approved January 1979

T. 21 S., R. 5 E., SLM, Utah

Sec. 32, lots 1-4, N1/2S1/2

Sec. 33, lot 1, NW1/4SW1/4

T. 22 S., R. 5 E., SLM, Utah

Sec. 4, lot 4, SW1/4NW1/4, W1/2SW1/4

Sec. 5, all;

Sec. 7, S1/2NE1/4, E1/2SW1/4, SE1/4;

Sec. 8, all;

Sec. 17, NE1/4, N1/2NW1/4

Sec. 18, NE1/4, E1/2NW1/4

Federal Coal Lease U-062453 - (480 acres) - Approved March 1962

T. 21 S., R. 5 E., SLM, Utah

Sec. 28, SW1/4SW1/4

Sec. 29, SE1/4SE1/4

Sec. 32, N1/2

Sec. 33, W1/2NW1/4

Sec. 30, lot 1, N1/2NE1/4
Sec. 33, lots 2-4, NE1/4, E1/2NW1/4, NE1/4SW1/4, N1/2SE1/4
Sec. 34, all;
Sec. 35, lots 1, 2, W1/2NW1/4, N1/2SW1/4.

T. 22 S., R. 5 E., SLB&M, Utah
Sec. 3, lots 1-4, S1/2N1/2, NE1/4SW1/4, S1/2SW1/4, N1/2SE1/4,
SW1/4SE1/4
Sec. 4, lots 1, 2, S1/2NE1/4, SE1/4SE1/4
Sec. 9, NE1/4NE1/4
Sec. 10, W1/2NE1/4, NW1/4, N1/2SW1/4.

Federal Coal Lease UTU-76195 - (160 acres) - Approved August with BLM ROW

T. 21 S., R. 5 E., SLM, Utah
Sec. 15, W1/2SW1/4SE1/4
Sec. 22, W1/2NW1/4NE1/4, W1/2SW1/4NE1/4, W1/2NW1/4SE1/4,
S1/2SE1/4.

Canyon Fuel Company, LLC acquired the right to entry on these properties in the merger described in Section 111 hereinabove.

In addition, the SUFCO Mine permit area includes certain fee lands owned by Canyon Fuel Company, LLC as follows:

T. 21 S., R. 5 E., SLB&M, Utah
Sec. 29, SW1/4, NW1/4, W1/2NE1/4, W1/2SE1/4
Sec. 30, S1/2NE1/4, E1/2SE1/4
containing 640.00 acres
T. 22 S., R. 4 E., SLB&M, Utah
Sec. 18, NW1/4NE1/4
containing 40 acres

The name of the owner of these fee lands changed from Coastal States Energy Company to Canyon Fuel Company, LLC as a result of the merger transaction described in Section 111 hereinabove.

The SUFCO Mine also uses certain Forest Service lands in its operation for a spring collection system, pumphouse, water transmission line, sanitary discharge line, sanitary drainfield, access road to the sediment pond, and 25 KV powerline. These USFS special use permit areas are shown on Plate 5-6 through portions of:

T. 22 S., R. 4 E., SLB&M, Utah
Sec. 12, S1/2
containing 13.03 acres

The name of the permittee changed from Southern Utah Fuel Company to Canyon Fuel Company, LLC pursuant to the merger described in Section 111 hereinabove.

115 Status of Unsuitability Claims

To the best knowledge of Canyon Fuel Company, LLC, no portion of the area to be permitted is designated, or under study for being designated, unsuitable for mining.

Since the SUFCO Mine was in production before passage of the Surface Mining Control and Reclamation Act of 1977, the unsuitability criteria were not applied to the existing surface facilities.

Canyon Fuel Company, LLC does not propose to conduct coal mining or reclamation operations within 300 feet of any occupied dwelling. Coal mining and reclamation operations have been or will be conducted within 100 feet of a public road, see Section 5.2.1.1 for details. Forest Service approval to conduct coal mining and reclamation operations within 100 feet of the Link Canyon forest service road is located in Appendix 1-1 and the newspaper advertisement for public comment is located in Appendix 1-3.

116 Permit Term

The following information is presented to identify permit term requirements and stipulations. Canyon Fuel Company will be operating the SUFCO Mine with continuous miner and longwall mining methods. Although the Mining and Reclamation Permit Application covers the next five-year period of mining, information is presented below for the life of the mining operation.

- | | | |
|----|------------------------------------|--|
| 1. | First coal produced | 1941 |
| 2. | Termination of mining activity | December, 2023 |
| 3. | Horizontal extent of mine workings | 17,568.26 acres
(Life of mine) |
| 4. | Vertical extent of mine workings | Surface to 2,000 feet deep
(Life of mine) |

The anticipated total acreage to be affected during the five years of operation by underground mining activities is 1,025 acres. The estimated number of total surface acres to be affected over the entire mining operation is 70.189 acres.

DISTURBED AREAS TO BE RECLAIMED**ACREAGE**

3 East Portals	0.017 acres
4 East Portals	0.70 acres
South Portals	0.017 acres
Quitcupah Portals	0.017 acres
* Mine Site, East Spring Canyon	27.79 acres
** Waste Rock Disposal Site	40.00 acres
Spring Collection Field, Convulsion Canyon	0.39 acres
Pump House, Convulsion Canyon	0.075 acres
Leach Field, Convulsion Canyon	0.28 acres
Water Tank, East Spring Canyon	0.193 acres
Sediment Pond Access Road, Convulsion Canyon	0.430 acres
Substation, Link Canyon	<u>0.28 acres</u>
TOTAL:	70.189 acres

* Total acreage within DAB, Actual 16.625 acres

** Total DAB acreage is 11.08, Actual 8.733 acres

The permit area includes 16,928.26 acres of Federal coal leases, 640 acres of fee coal leases, the 40 acres waste rock disposal site and 13.03 acres under U.S. Forest Service special use permit for a total of 17,621.29 acres.

117 Insurance and Proof of Publication

Certificates of Insurance issued to Canyon Fuel Company, LLC are located in Appendix 8-1. A copy of an updated Certificate of Liability Insurance is attached as Appendix 117-A.

The newspaper advertisement appears in Appendix 1-3. Verification of the advertisement appearing in the appropriate newspapers will be added to Appendix 1-3 and submitted to the Division no later than 4 weeks after publication.

118 Filing Fee

A photocopy of the receipt is presented in Appendix 1-4 as proof of payment of the permit filing fee.

APPENDIX 1-2
Lease Documents

FORM 2800-14
(August 1985)

Issuing Office
Utah State Office
Price Field Office

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
RIGHT-OF-WAY
SERIAL NUMBER UTU- 77971

-
1. A right-of-way is hereby granted Title V of the Federal Land Policy and Management Act of October 21, 1976 (90 Stat. 2776; 43 U.S.C. 1761).

 2. Nature of Interest:
 - a. By this instrument, the holder:

Canyon Fuel Company LLC.
6995 South Union Park Center, Suite 550
Midvale, Utah 84047

receives a right to construct, operate, maintain and terminate a coal access entry right-of-way on public lands described as follows:

Salt Lake Meridian, Utah
T. 21 S., R. 5 E.,
Sec. 15, W1/2SW1/4SE1/4,
Sec. 22, W1/2NW1/4NE1/4, W1/2SW1/4NE1/4, W1/2NW1/4SE1/4,
S1/2SE1/4.

 - b. The right-of-way granted herein contains 160.0 acres, more or less.

 - c. This instrument shall terminate one year (1) year from its effective date unless, prior thereto, it is relinquished, abandoned, terminated, or modified pursuant to the terms and conditions of this instrument or of any applicable Federal law or regulation.

- d. This instrument may be renewed. If renewed, the right-of-way or permit shall be subject to the regulations existing at the time of renewal and any other terms and conditions that the authorized officer deems necessary to protect the public interest.
- e. Notwithstanding the expiration of this instrument or any renewal thereof, early relinquishment, abandonment, or termination, the provisions of this instrument, to the extent applicable, shall continue in effect and shall be binding on the holder, its successors, or assigns, until they have fully satisfied the obligations and/or liabilities accruing herein before or on account of the expiration or prior termination of the grant.

3. Rental:

For and in consideration of the rights granted, the holder agrees to pay the Bureau of Land Management fair market value rental as determined by the authorized officer, unless specifically exempted from such payment by regulation. Provided, however, the rental may be adjusted by the authorized officer, whenever necessary, to reflect changes in the fair market rental value as determined by the application of sound business management principles, and so far as practicable and feasible, in accordance with comparable commercial practices.

4. Terms and Conditions:

- a. This grant or permit is issued subject to the holder's compliance with all applicable regulations contained in Title 43 Code of Federal Regulations, part 2800.
- b. Upon grant termination by the authorized officer, all improvements shall be removed from the public lands within 90 days, or otherwise disposed of as provided in paragraph (4)(d), or as directed by the authorized officer.
- c. Each grant issued for a term of 20 years or more shall, at a minimum, be reviewed by the authorized officer at the end of the 20th year and at regular intervals thereafter not to exceed 10 years. Provided, however, a right-of-way or permit granted herein may be reviewed at any time deemed necessary by the authorized officer.
- d. The stipulations, plans, maps, or designs set forth in Exhibit A and Exhibit B, dated August 12, 1999, attached hereto, are incorporated into and made a part of this grant instrument as fully and effectively as if they were set forth herein in their entirety.
- e. Failure of the holder to comply with applicable law or any provision of this right-of-way grant or permit shall constitute grounds for suspension or termination thereof.

- f. The holder shall perform all operations in a good and workmanlike manner so as to ensure protection of the environment and the health and safety of the public.
- g. Ninety (90) days prior to termination of the right-of-way, the holder shall contact the authorized officer to arrange a joint inspection of the right-of-way area. This inspection will be held to agree to an acceptable termination (and rehabilitation) plan. This plan shall include, but is not limited to, removal of facilities, drainage structures or surface material, recontouring, topsoiling, or seeding. The authorized officer must approve the plan in writing prior to the holder's commencement of any termination activities.

IN WITNESS WHEREOF, The undersigned agrees to the terms and conditions of this right-of-way grant or permit.

Richard L. Pick
(Signature of Holder)

Mark E. Bailey
(Signature of Authorized Officer)

PRESIDENT & CEO
(Title)

Acting
Field Manager
(Title)

August 20, 1999
(Date)

20 Aug 99
(Effective Date of Grant)

AUG 12 1999

2890
UTU-77971
(UT-070)

EXHIBIT A
STIPULATIONS

1. The holder shall operate, and maintain the facilities, improvements, and structures within this right-of-way in strict conformity with its mine permit plan (Utah Division of Oil Gas and Mining No. ACT/041/002). Any relocation, additional construction, or use that is not in accord with the approved permit shall not be initiated without the prior written approval of the authorized officer. A copy of the complete right-of-way grant, including all stipulations and approved mine plan shall be made available to the authorized officer during construction, operation, and termination of the right-of-way. Noncompliance with the above will be grounds for an immediate temporary suspension of activities if it constitutes a threat to public health and safety or the environment.
2. The holder shall contact the authorized officer at least seven (7) days prior to the anticipated start of underground development activities. The authorized officer may require and schedule a premining conference with the holder prior to the holder's commencing mining activities on the right-of-way. The holder and/or his representative shall attend this conference. The holder's contractor, or agents involved with mining activities associated with the right-of-way, shall also attend this conference to review the stipulations of the grant including the mine plan.
3. The holder shall designate a representative(s) who shall have the authority to act upon and to implement instructions from the authorized officer. The holder's representative shall be available for communication with the authorized officer within a reasonable time when underground development occurs.
4. The holder shall not initiate any mining activities on the right-of-way without the prior written authorization of the authorized officer. Such authorization shall be a written **notice to proceed** issued by the authorized officer. Any notice to proceed shall authorize mining or use only as therein expressly stated and only for the particular location or use therein described.
5. The authorized officer may suspend or terminate in whole, or in part, any notice to proceed which has been issued when, in his judgement, unforeseen conditions arise which result in the approved terms and conditions being inadequate to protect the public health and safety or to protect the environment.

6. Any paleontological resource discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the authorized officer. Holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the authorized officer after consulting with the holder.
7. The holder shall develop underground entries in accordance with information provided in the right-of-way application. The underground access-way shall be limited to full-support first mining associated with development of mains and cross-cuts. Pillar design will be approved by BLM before mining is initiated. Any modification to the proposed design must be approved by the authorized officer.
8. This instrument shall terminate upon issuance of a Federal coal lease (UTU-76195) to the holder and approval of the Federal mine permit.
9. The holder shall provide maps to the authorized officer showing development progress of the right-of-way entries. Maps shall be provided on a monthly basis for the purpose of estimating production by volumetric calculation. Scale weight for total mine production shall also be provided on a monthly basis.
10. The holder shall pay fair market value for the Federal coal removed from the right-of-way as provided in 43 CFR 3431.2 (a). The basis for the price of the coal is the estimated F.O.B. selling price of the coal removed less direct mining costs for removal of the coal. It has been estimated that 286,000 tons of coal will be removed from the right-of-way. Fair market value is determined to be \$1.50 per ton of coal or not less than 8 percent of the selling price of the coal plus \$0.25 per ton. It is estimated that the total payment will be \$429,000.
11. The holder shall remit a check in the amount of \$107,250, determined to be 25 percent of the estimated total payment, prior to commencement of mining. Payment shall be made to the Price Field Office, 125 South, 600 West, Price, Utah 84501. The holder will be billed for the remainder of the payment upon completion of mining activities within the right-of-way area. If the Federal coal lease for this area is in effect prior to mining of the coal, royalty payments shall be made to the Minerals Management Service as outlined in the lease.

12. A bond in the amount of \$321,750. shall be provided with this initial payment as security for the remainder of the total estimated payment. This can be accomplished by providing a surety bond in the amount, submitting a cash bond, or providing a personal right-of-way bond secured by negotiable U.S. Bonds of a par value equal to the amount required.
13. The holder shall be subject to the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 *et seq.*) in the removal of all coal within the right-of-way as required in 43 CFR 3431.2 (c).
14. The holder shall conduct all activities associated with the operation and termination of the right-of-way within the authorized limits of the right-of-way.
15. Upon completion of the R/W entries, a final determination as to the total coal removed in connection with the R/W shall be made by BLM. An invoice representing payment for the total coal removed less the initial payment shall be sent to the R/W holder. Final payment shall be due within 30 days of receipt of the billing statement. Upon receipt of the final payment, the bond shall be released.