



Ark Land Company
c/o Canyon Fuel Co., LLC
Skyline Mines
HC35Box 380
Helper, Utah 84526
435-448-2633

RECEIVED
JUL 30 2002
DIVISION OF
OIL, GAS AND MINING

July 29, 2002

Pamela Grubaugh-Littig
Permit Supervisor
State of Utah
Department of Natural Resources
Division of Oil Gas and Mining
1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801

*Response
Dueing
C/041/002
EX02D-1*

Re: Muddy Tract Coal Exploration, Canyon Fuel Company, LLC, SUFCO Mine,
C/041/002-EX02D, Response to Deficiencies

Dear Pamela:

Five outstanding deficiencies relative to Ark Land Company's "Revised Notice of Intent to Conduct Minor Coal Exploration, School and Institutional Trust Lands Administration Muddy Tract" submittal of March, 2002, are addressed as follows:

Deficiency 1)

R645-202.230, The applicant should describe any potential adverse impacts to the stream channel during pumping and outline any mitigation measures that may need to be implemented. The applicant should provide concurrence from the Division of Water Rights and U.S. Forest Service for the point of diversion.

Response: The Utah Division of Water Rights is currently reviewing Canyon Fuel Company's Application for Temporary Change of Water. Canyon Fuel will pump water from the stream diversion points only if approved by Water Rights. An agreement with Castle Valley Ranch (a primary water right holder on Quitchumpah) has been reached for water usage. If approved by the Division of Water Rights, Canyon Fuel will forward a copy of the approval to DOGM. During a pre-construction meeting held on-site with the USFS and the BLM on July 9, 2002; the diversion points were discussed. The USFS is in agreement with the points of diversion with the stipulation that the stream will not be dried

up during pumping operations. If stream flow drops to a point where it cannot be pumped without taking the entire stream flow, Canyon Fuel will haul water from its Sufco minesite to the south. The USFS also authorized the placement of a water tank adjacent to the North Fork diversion point to enable more gradual pumping of the stream. No adverse impacts to the stream channel will occur during pumping.

If the Division of Water Rights does not approve the Temporary Change of Water, Canyon Fuel will haul water from its Sufco Minesite. Even with approval, drought conditions may result in stream flows that are too low to allow pumping from the stream.

Deficiency 2)

R645-202-231, The results of the cultural resource inventory must be included in the application.

Response: A cultural resource inventory has been completed and is attached.

Deficiency 3)

R645-202-231, Threatened, endangered and sensitive plant and animal surveys information must be provided.

Response: The "Biological Assessment For Federally Listed Plant and Animal Species" and the "Biological Evaluation For Sensitive Plant and Animal Species And Other Species of Concern" have been completed by the U.S. Forest Service and are attached. Cara Staab, wildlife biologist with the Manti La-Sal Forest had a concern about Sage Grouse. The drill site is located in thick sagebrush so Cara requested the drillsite be moved closer to the main road (FDR 044) into an area where there is much less sagebrush. That location change has been made and shown on the attached revised map.

Canyon Fuel has also agreed to fill any accessible guzzlers in the area while it has water haulage equipment available during the drilling project.

Deficiency 4)

R645-202-232, The two-track road to the drill pad must not be bladed to a 14-foot width. Evidence must be provided that the current two track is not sufficient transportation for the drilling equipment.

Response: The two-track road to access the drillsite should be adequate for transportation of the core drilling equipment that will be utilized on the project. The road will not be bladed. If larger rotary drilling equipment were used for this project as has been the practice in past years, the road would have to be bladed to at least 12 ft. width to ensure haulage equipment does not travel on native soils when traveling around curves. We are planning to utilize smaller core drilling equipment for this project in an attempt to

minimize water usage. The existing wheeltrack should be adequate. The USFS is requiring Canyon Fuel to rip and seed the wheeltrack road during reclamation.

Deficiency 5)

R645-202-242.100, The seed mixture must be revised to meet the requirement of this regulation.

Response: The seed mixture has been revised to the following upon concurrence by Susan White of DOGM and Bob Thompson of the USFS:

<u>SPECIES</u>		<u>PLS LBS/ACRE</u>
Western Wheatgrass	Agropyron (elymus) Smithii	2
Basin Wild Ryegrass	Elymus cinereus	1
Intermediate Wheatgrass	Agropyron (elymus) intermedium	2
Crested Wheatgrass	Agropyron crystatum	1
Paiute Orchard Grass	Dactylis glomerata	2
Ladak Alfalfa	Medicago sativa var ladak	0.25
Small Burnet	Sanguisorba minor	0.25
Silvery Lupine	Lupinus argenteus	0.75
Mountain Aster	Aster adscendens	0.25
Palmer Penstemon	Peststemon palmerii	0.25
	TOTAL	9.75

If you have questions or require further information please contact me at 435-448-2633. Attached are the C1/C2 forms and 7 sets of revised pages of the "Revised Notice of Intent To Conduct Minor Coal Exploration". Revised pages 5,6, and 7 replace pages 5, 6, and 7 of the Mar. 2002 "Revised Notice of Intent to Conduct Minor Coal Exploration" submittal. Appendices C (Cultural Resource Inventory) and D (USFS BE/BA reports) should be added to the document. I have also attached four "red line/strikeout" copies of the replacement pages.

The USFS Decision Memo on the Pines and Muddy drilling projects has been signed by Elaine Zieroth with copies being forwarded to the BLM and the Division. We are currently planning to start drilling activities on the Pines project on Aug. 5, 2002. We would like to begin work on the Muddy project by Aug. 8, 2002, if possible. The Right

of Entry agreement with SITLA has been completed and signed by both parties (attached).
I appreciate your efforts on this project.

Sincerely,

A handwritten signature in cursive script that reads "Mark Bunnell".

Mark Bunnell
Geologist

Attach.

APPLICATION FOR PERMIT PROCESSING

Permit Change <input checked="" type="checkbox"/>	New Permit <input type="checkbox"/>	Renewal <input type="checkbox"/>	Transfer <input type="checkbox"/>	Exploration <input checked="" type="checkbox"/>	Bond Release <input type="checkbox"/>	Permit Number: C/041/002-EX02D
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Title of Proposal: Muddy Tract Coal Exploration, Canyon Fuel Company, Response to Deficiencies	Mine: Sufco Mine
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Description, include reason for application and timing required to implement:
 Response to 5 outstanding deficiencies regarding Muddy Tract Exploration, Canyon Fuel Company, LLC, Sufco Mine.

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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	1. Change in the size of the Permit Area? _____ acres Disturbed Area? _____ acres <input 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 type="checkbox"/> Yes	<input checked="" 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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	7. Does the application require or include ownership, control, right-of-entry, or compliance information?
<input checked="" type="checkbox"/> Yes	<input 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 type="checkbox"/> Yes	<input checked="" 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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	15. Does application require or include soil removal, storage or placement?
<input checked="" type="checkbox"/> Yes	<input 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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	18. Does the application require or include water monitoring, sediment or drainage control measures?
<input type="checkbox"/> Yes	<input checked="" 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 7 complete copies of the application.

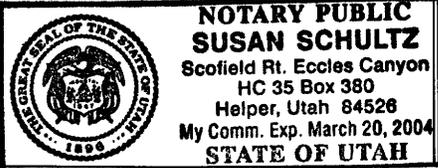
I hereby certify that I am a responsible official of the applicant and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations herein. (R645-301-123)

Maui Burnell *Biologist* 7-29-02
 Signed - Name - Position - Date

Subscribed and sworn to before me this *29* day of *July*, 2002

Susan Schultz
 Notary Public

OF _____
 Y OF _____



Received by _____

RECEIVED

JUL 30 2002

DIVISION OF
OIL, GAS AND MINING



State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor

Stephen G. Boyden
Director

675 East 500 South, Suite 500
Salt Lake City, Utah 84102-2818
801-538-5100
801-355-0922 (Fax)
http://www.trustlands.com

July 3, 2002

Ark Land Company
CityPlace One, Suite 300
St. Louis, MO 63141

Attn.: Wm. Scott Stewart
Re: Amendment to Letter of Agreement of July 10, 2001
Coal Exploration Boreholes, Muddy Tract

Gentlemen:

It is hereby agreed in consideration of additional nonrefundable payment of an exploration fee of \$500.00 to the School and Institutional Trust Lands Administration that certain Letter of Agreement dated July 10, 2001, between Ark Land Company and the School and Institutional Trust Lands Administration is hereby Amended to authorize the drilling of one additional exploration borehole or corehole by Ark Land Company upon School and Institutional Trust Lands Administration coal ownership located in Section 9, T21S, R5E, SLB&M, Sevier County, Utah, on or before December 31, 2002.

Ark land Company will obtain all necessary permits from the Utah Division of Oil, Gas & Mining and the U.S. Forest Service prior to the commencement of operations authorized herein and shall reclaim the additional drill site as required by such permits. Surety Bond SB0072374 filed by Ark Land Company with the Trust Lands Administration in the amount of \$25,000.00 shall be extended to cover the operations herein. Upon completion of drilling operations Ark Land Company shall furnish the School and Institutional Trust Lands Administration a copy of all geophysical logs, core & cuttings logs, and coal analysis data with respect to the additional borehole or corehole that is drilled. Except as otherwise amended herein, its understood that the terms and conditions of that Letter of Agreement of July 10, 2001, between Ark Land Company and the School and Institutional Trust Lands Administration shall remain in full force and effect.

Please arrange for the execution of this Amendment to our original Letter of Agreement by an authorized representative of Ark Land Company and return to me one original copy.

Sincerely,

John T. Blake
Mineral Resources Specialist

Approved as to Form
Mark L. Shurtleff
ATTORNEY GENERAL

By:

ACCEPTED AND AGREED:

ARK LAND COMPANY

By: Wm Scott Stewart

Its: V. P. Exploration

Date: 7/22/02

SCHOOL AND INSTITUTIONAL
TRUST LANDS ADMINISTRATION

By: Thomas B. Fuller

Its: Assistant Director

Date: 7-3-2002