

2010 SUBSIDENCE REPORT

CANYON FUEL COMPANY, LLC

SUFCO MINE

by

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INTRODUCTION

Canyon Fuel Company LLC, SUFCO Mine's 2010 subsidence report is an update of annual subsidence data that has been accumulated since 1976 as the former Southern Utah Fuel Company. Prior to 1985, the data was derived from conventional survey methods. Since then, photogrammetric surveys have been employed to monitor the ground movement.

During 1985, the entire SUFCO Mine property was flown to establish a set of baseline photography and a grid of surface elevations. Where possible, an elevation was photogrammetrically determined on an approximate 200-foot grid. These original x, y and z locations serve as a comparative base for determining ground movement in the succeeding years. Other lease holdings that are acquired are flown for similar baseline information. Lease U-63214 was flown in 1991 and the 150-acre modification to lease U-63214 and lease UTU-76195 were flown in 1999. Lease ML 49443-OBA was flown in 2006.

Once each year around the end of August, another set of aerial photography is obtained. A new elevation is then found at the same x and y coordinates as all the originals within all areas considered to be active. The new, or current, elevations are compared to the originals and the difference between the two is used to generate a contour map. The result is the subsidence contour map included with each annual subsidence report.

The mine subsidence map accompanying this report shows surface control monuments, overburden contours, subsidence contours, surface tension cracks, a current outline of the mine, a one year mining projection and other miscellaneous items as explained in the legend.

SUBSIDENCE HISTORY

SUFCO Mine began operations that cause surface subsidence in June 1976. Continuous miners were used to extract coal from pillars that were developed as part of a retreating panel. The panels were approximately 650 feet wide and varied in length up to 2,500 feet. The average mining height approached 11 feet and the extraction ratio averaged about 80%.

The resulting subsidence from these continuous miner panels averaged 4 feet in the plateau areas where overburden was 900 feet thick. In areas where panel boundaries were outside the escarpment and beyond the Castlegate Sandstone, subsidence increased with decreasing overburden thickness. The maximum subsidence measured in a continuous miner panel to date, 8.5 feet, occurred in one of these areas. The overburden was only 600 feet thick.

Retreat mining continued in this manner until October, 1985, when a retreating longwall system was added. Longwall panels have ranged from 550 feet to 1,110 feet wide and up to 18,500 feet in length. Mining heights have varied from 8.5 feet to 12.5 feet.

Subsidence above the longwall panels has averaged 5 to 6 feet in the center of the panels. The overburden thickness has been from 1,000 feet to 1,800 feet (except outside the escarpment where overburden rapidly decreases). The maximum measured subsidence caused by longwall mining until 2009 was seven feet. This occurred in two cases: 1. An area outside the escarpment very similar to the one mentioned above for the continuous miner panel and 2. Down the center of panels that are under plateaus with 1,000 feet of overburden, but this is not typical. In 2009 there was a small area on the north end of the last longwall panel in area 12 that maximum subsidence measured nine feet. This area has overburden of approximately 900 feet, and is relatively close to the escarpment.

DORMANT AND ACTIVE AREAS

Dormant areas are those areas that have shown little or no movement for several consecutive years. Yearly digitizing of these areas will not be done, but photographic coverage can be obtained should the need arise for reevaluation. These areas may not be shown on the current subsidence map.

Active areas are those currently being mined or that have evidence of movement within a reasonable time period. Active areas are digitized and evaluated for subsidence yearly, until they meet the parameters of a dormant area.

2010 SUBSIDENCE

The 2009 subsidence map (Map 1) was updated using data from current photogrammetric monitoring. Each subsidence area is labeled as an independent block. A brief description of each follows:

AREA 1

This was SUFCO Mine's first subsidence area. Undermining began in June 1976, and continued into 1979. The area is composed of five continuous miner panels that averaged 650 feet in width. Mining height averaged 11 feet with about an 80% extraction ratio.

Subsidence ranged from 4.5 feet to a maximum of 8.5 feet. It was first detected in 1976 and continued until 1985. No surface movement was detected in this entire area from 1986 to 1989. Area 1 has not been digitized since the 1990 subsidence report and is considered dormant.

AREA 2

This is another continuous miner area. The panels here were irregular shaped and the extraction ratio was modest. Undermining ceased in 1984.

Maximum subsidence has been measured at 2 feet. The area has been stable since 1985 and has not been monitored since 1989. This area is dormant.

AREA 3

This area is another continuous miner section, but the extracted area is a portion of mains with protective barriers instead of a panel. Coal recovery was moderate with mined areas which were subcritical. Undermining ceased in 1983.

Maximum subsidence was measured at 2 feet. Because of the limited extraction and subcritical areas, the subsidence occurred slowly with small changes noticeable until 1987. The area appeared stable in 1988 and 1989. It has not been monitored since 1989 and is considered dormant.

AREA 4

This subsidence area is comprised of three continuous miner panels. The mining height averaged 11 feet with a good extraction ratio. Undermining ceased in 1985.

Maximum subsidence was 5 feet with no detectable change in 1989. This area was monitored again in 1993, 1994 and 1995 with no detectable changes. This area was monitored for ten years

after undermining ceased. The last detectable subsidence was in 1988. Therefore, this area is considered dormant.

AREA 5

The four continuous miner panels that make up this area were mined from September 1978, to November 1981. Mining height averaged 11 feet with an 80% extraction ratio.

Maximum subsidence was 5 feet with no detectable changes from 1985 through 1991. This area has not been monitored since 1991, and will also remain dormant.

AREA 6

Area 6 is SUFCO Mine's first longwall induced subsidence area. It is comprised of nine longwall panels varying from 540 feet to 700 feet in width and 1,700 feet to 3,900 feet in length. Also, there is a section of recovered mains between two of the longwall blocks. Undermining began in Area 6 during October, 1985, and continued through the mains recovery in March, 1990.

Maximum subsidence measured in areas bounded by the plateau is five feet. There is a location on the map that shows seven feet; but this area is outside the escarpment where the overburden is only 600 feet thick. The subsided escarpment is intentional and is part of a study agreed upon by SUFCO Mine, the Division of Oil, Gas and Mining, the Bureau of Land Management and the U.S. Forest Service. This particular section of escarpment was removed from the "no subsidence zone" to study the effects of longwall mining on the escarpment.

Area 6 has shown no significant changes since 1992. It has been determined that this area is dormant.

AREA 7

Area 7 was originally planned for no subsidence. Pillars were made to support the overburden but began to fail in the north end in 1984 when the underground workings were flooded. The failure progressed towards the south and by 1986 subsidence was detected over the area.

The map shows up to seven feet of subsidence. There was no additional subsidence movement detected from 1988 to 1994. Therefore, this area will also be considered dormant.

AREA 8

Undermining this area began in June 1983, and was sporadic until 1992. Continuous miners were used with extraction ratios over 80% and average mining heights of 10 feet. This area stayed active longer than most due to its proximity to an adjacent active longwall block.

Maximum subsidence is five feet. No noticeable vertical movement has been detected since

1993. This area is dormant.

AREA 9

This area is a longwall mining area that is composed of four panels. The first began in June 1989 and the block was finished in January 1992. The mining height averaged about 11 feet and the maximum subsidence is five feet. There has been no indication of movement since 1996. This area is determined to be dormant.

AREA 10

Area ten is a longwall mining block that began in January 1992. Mining was completed in August 2001. The entire surface area above this block was digitized for base-line elevations during 1991. Maximum subsidence shown to date is seven feet. This area has been mined out since 2001, and monitoring suggests that it has settled. It is now assumed to be dormant.

The experimental mining practice area discussed under "Area 6" was extended, with regulatory approval, to the east side of the canyon under the Southwest corner of "Area 10". An extensive pre-mining survey of this location was conducted late in 1992. A detailed survey of the post-mining subsidence effects was provided in the 1993 report.

AREA 11

Area eleven is an extension of the last longwall panel in Area ten. It extends into a 150-acre modification to lease U-63214. An elevation baseline was established in 1999. Mining under this area began in January 1999 with gateroad development. Longwall mining took place from May 2000 thru September 2000. Subsidence to date shows a maximum of six feet. This area has shown no significant movement since 2003 and is considered dormant.

AREA 12

Area twelve is the first longwall mining block on the acquired lease UTU-76195. Due to a mine plan change at the start of 2003, this area now consists of six longwall panels. An elevation baseline was established in 1999, and gateroad development began in March 2000. Longwall mining began in September 2001 and ended in February 2007. There has been no significant movement detected in this area since 2007. This area appears to have stabilized and is considered dormant.

AREA 13

Area thirteen is a longwall mining block that originally consisted of seven panels on lease U-63214 and lease ML 49443-OBA. Due to a mine plan change near the end of 2008, this area now consists of eight longwall panels. An elevation baseline for the area included on lease U-63214 was established in 1991 and the elevation baseline for the area included on lease ML 49443-OBA was established in 2006. Longwall mining began in March 2007 and is planned to

continue until 2012. This area was considered active in 2007 and will continue to be monitored for several years.

DRAW ANGLE SURVEYS

Several draw angle surveys have been performed during the past years. Completed surveys have been over continuous miner areas and have been oriented both parallel and perpendicular to the long axis of the panel. The average of all measurements is 15°. Individual measurements ranged from 10° to 21°.

New longwall draw angle data was obtained in 1995. Draw angle points were installed in May 1986, on the southern end of the first panel in "Area 6". As shown on the subsidence map, survey lines were placed parallel and perpendicular to the axis of the panel. Undermining of this panel was completed in June 1986. Measurements were taken in 1995 and indicate an angle 15.25° for the perpendicular line. An angle for the parallel line was not obtained because the mains underlying the survey line were partially extracted. These findings coincide with the average of 15° as stated above.

SUBSIDENCE TENSION CRACKS

Tension cracks have occurred above most of the subsidence areas. Most have been located by survey and are shown on the map. Their lengths vary from a few feet to a couple thousand feet. Most are oriented either parallel to the natural jointing pattern or to the boundaries of the underground excavation. Vertical displacement along the cracks is uncommon and horizontal displacement varies from hairline to several inches in width depending on the surface topography (rock, hard packed or loose soil).

The U. S. Forest Service completed a tension crack study in 1978. They monitored twenty-two different cracks (located in Area 1) with widths varying from 1/8 inch to six inches. Results show that most cracks self-heal, or close, from 13% to 100% of their original width.

Longwall mining at the top of the 13L4E longwall panel caused some cracking in the escarpment sandstone of upper Box Canyon. The panel was mined parallel and down the center of a portion of the canyon. Subsidence thus created an inward pull on the canyon walls. These cracks are in the rock along the edge of the escarpment and vary in width and displacement. A monitoring program was initiated in 2004 to observe the behavior of these cracks. These cracks were checked in 2005 and again for the final time in 2008 and show no significant change in width or displacement.

DETAILED LONGWALL SUBSIDENCE PROFILE

In 1998 a project was initiated to monitor longwall subsidence in relation to the advancing face. Preparation consisted of first installing two monitoring points outside the subsidence area. Then two base lines were established one 3000 feet long running parallel down the center and the second 1300 feet long perpendicular across the 967 feet wide panel. Markers were installed along these lines on 100 feet spacing using approximately 2.5 feet long rebar with an aluminum cap or a hardened nail drilled into the exposed rock. Initial horizontal and vertical readings were obtained by shooting each marker with a Topcon GTS-3 distance meter from the monitoring points.

Monitoring was done weekly to gather new readings on markers behind and up to 500 feet ahead of the advancing face. The data collected reveals that vertical movement starts approximately 150 feet ahead of the face with 15 hundredths of a foot of subsidence at the face. It then drops off quickly to 4 feet at 600 feet behind the face and gradually levels off at 4 to 5 feet. Horizontal readings indicate the ground initially moves about 30 hundredths of a foot away from the face, then back toward the face 80 hundredths of a foot.

CONCLUSION

Areas 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, and 12, are all considered to be dormant. Photographic coverage for these areas can be obtained if circumstances deem it necessary. Active longwall mining continues in Area 13 with a maximum subsidence detected to date of 6 feet. Yearly monitoring of Area 13 will continue until it is determined that subsidence has ceased.

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