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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

September 7, 2017

John Byars, General Manager
Canyon Fuel Company, LLC
597 South SR24
Salina, Utah 84654

Subject: Update Ownership and Violation Information, Canyon Fuel Company, LLC,
Sufco Mine, C/041/0002, Task #5507

Dear Mr. Byars:

The Division has reviewed your application. The Division has identified deficiencies that must be addressed before final approval can be granted. The deficiencies are listed as an attachment to this letter.

The deficiencies authors are identified so that your staff can communicate directly with that individual should questions arise. The plans as submitted are denied. Please resubmit the entire application.

If you have any questions, please call me at (801) 538-5350.

Sincerely,


Steve Christensen
Permit Supervisor

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Technical Analysis and Findings

Utah Coal Regulatory Program

PID: C0410002
TaskID: 5507
Mine Name: SUFCO MINE
Title: UPDATE OWNERSHIP AND VIOLATION INFORMATION

General Contents

Identification of Interest

Analysis:

The application does not meet the State of Utah R645 requirements for Identification of Interest.

The Permittee provided revisions to the General Chapter 1 for Canyon Fuel Company, LLC. The revisions included an update to the General Chapter 1 Table of Contents and Text to include a new address for the resident agent company, Corporation Service Company and phone numbers for Bowie Resource Holdings, LLC and Bowie Resource Partners, LLC. Table 1-2, Three Year Violation History of Mining and Reclamation Operations was included and updated. An updated Figure 1-1 was provided. Appendix 1-1 Organizational Officers and Directors included officer updates to the following companies: Bowie Resource Partners, LLC, Bowie Resource Holdings, LLC, Bowie Resources, LLC, Bowie Coal Sales, LLC, Canyon Fuel Company, LLC, Fossil Rock Resources, LLC, Paonia Water Resources, LLC and Cedars Energy, LLC.

Appendix 1-1:

Bowie Resource Partners, LLC updates control % of Galena US Holdings, Inc. from 46% to 96.535% and Cedars Energy, LLC from 54% to 3.465%. As Cedars Energy, LLC controls less than 10% of Bowie Resource Partners, LLC, the Cedars Energy, LLC Officers and Directors can be removed from Appendix 1-1 as indicated in the application. As Bowie Coal Sales, LLC and Paonia Water Resources, LLC does not have any ownership control over Canyon Fuel Company, LLC, these companies do not need to disclose their ownership information and can be removed from Appendix 1-1.

R645-301-112.320: As Galena US Holdings, Inc. has 96.535% control of Bowie Resource Partners, LLC, it's Ownership and Control information is required in Appendix 1-1.

Figure 1-1:

R645-301-112.320; As Galena US Holdings, Inc. has 96.535% control of Bowie Resource Partners, LLC, it must be included in Figure 1-1.

R645-301-112.310; Provide address and employer identification number for Galena US Holdings, Inc.

Deficiencies Details:

The application does not meet the State of Utah R645 requirements for Identification of Interest.

R645-301-112.320: As Galena US Holdings, Inc. has 96.535% control of Bowie Resource Partners, LLC, it's Ownership and Control information is required in Appendix 1-1.

R645-301-112.320; As Galena US Holdings, Inc. has 96.535% control of Bowie Resource Partners, LLC, it must be included in Figure 1-1.

R645-301-112.310; Provide address and employer identification number for Galena US Holdings, Inc.

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Identification of Interest

Analysis:

The amendment does not meet the State of Utah R645 requirements for Identification of Interests.

The Permittee revises the information contained with General Chapter 1 to reflect changes in ownership and control for several entities identified in Figure 1-1, Organizational Chart of Bowie Resource Partners, LLC as of September 1, 2015. Proposed changes to ownership and control information identified in Appendix 1-1, Organizational Ownership, Officers and Directors (Appendix 1-1) is also provided.

On page 1-3 of the amendment, the Permittee provides a new mailing address for the identified resident agent, Corporation Service Company. The revised address is 919 North 1000 West, Logan, UT 84321. The information provided for the operator (Canyon Fuel Company, LLC) has not changed from that in the approved Mining and Reclamation Plan (MRP). No revisions to Figure 1-1, Organizational Chart of Bowie Resource Partners, LLC As Of September 1, 2015 were provided with the amendment.

The previous technical review (#5455) identified discrepancies in the information and revisions provided in Appendix 1-1.

The Permittee was directed to provide clarification for revisions provided for Grant Quasha and John Siegel for the ownership and control information of Bowie Resource Partners, LLC, Bowie Resource Holdings, LLC and Bowie Resources, LLC. Mr. Quasha had been listed in the 'changes' table as having terminated his position as Vice President and John Siegel had been identified as having terminated his position as Executive Chairman for all three of the aforementioned companies. However, upon review of the approved MRP, Mr. Quasha was never identified as the Vice President and John Siegel was never identified as the Executive Chairman for Bowie Resource Partners, LLC, Bowie Resource Holdings, LLC and Bowie Resources, LLC. The Permittee failed to provide any clarification for this discrepancy or explain why Mr. Quasha and Mr. Siegel were not previously identified as holding the Vice President and Executive Chairman positions for the aforementioned companies.

The previous technical analysis identified a similar deficiency for Mr. Steve Rickmeier. Mr. Rickmeier was identified as serving as President of Bowie Resources, LLC from 11/18/2010 until 8/16/2013. However; as previously identified, Mr. Rickmeier was never identified as the President of Bowie Resources, LLC in the approved MRP.

The previous technical analysis identified a deficiency relative to the Cedars Energy, LLC ownership and control information. The Permittee was directed to provide additional clarification/information for C&K Bowie, LLC and Steve Rickmeier's role in the ownership and control of Cedars Energy, LLC. The Permittee has proposed deleting the ownership and control information for Cedars Energy, LLC. Upon review of Figure 1-1, Cedars Energy, LLC does not have any ownership or control of the applicant or operator and thus the officer and director information is not required by the State of Utah R645 rules.

The previous technical analysis identified a deficiency with the revisions to Paonia Water Resources, LLC. The Permittee was directed to provide end dates for the officers that had been struck in the previous amendment (i.e. John Siegel, James Wolff, Eugene DiClaudio, Grant Quasha and Brian Settles) and revise the 'Changes' section of the Paonia Water Resources, LLC information in Appendix 1-1. The most recent submittal indicates that Bowie Resources,

LLC manages Paonia Water Resources, LLC. Upon review of Figure 1-1, Paonia Water Resources, LLC does not have any ownership or control of the applicant or operator and thus the officer and director information is not required by the State of Utah R645 rules.

Deficiencies Details:

The amendment does not meet the State of Utah R645 requirements for Identification of Interests. The following deficiencies must be addressed prior to final approval:

R645-301-112: The Permittee must provide documentation that addresses the discrepancy in information provided to the Division in the amendment versus the approved MRP. The approved MRP does not identify Mr. Grant Quasha as Vice President and Mr. John Siegel as Executive Chairman of Bowie Resource Partners, LLC, Bowie Resource Holdings, LLC and Bowie Resources, LLC. However, the two amendments submitted provide beginning and end dates for these two individuals as Vice President and Executive Chairman for the aforementioned companies. The discrepancy must be addressed.

R645-301-112: The Permittee must provide documentation that addresses the discrepancy of information within the approved MRP and the proposed amendment relative to Mr. Rickmeier's role as President of Bowie Resources, LLC. The approved MRP does not identify Mr. Rickmeier as ever being the President of Bowie Resources. However, the two amendments submitted provide beginning and end dates for Mr. Rickmeier as the President of Bowie Resources, LLC. The discrepancy must be addressed.

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Violation Information

Analysis:

The application does not meet the State of Utah R645 requirements for Violation Information.

R645-301-113.300: The Permittee provided an updated Table 1-2 Three Year Violation History of Mining and Reclamation Operations.

An AVS Permit Evaluation Report was generated for the Sufco Mine C/041/0002 on September 7, 2017. The report listed 13 violations. Violation 6 is outstanding, a State Civil Penalty issued to Bowie Refined Coal, LLC. Linking entity is James J Wolff. The remaining violations are coded "conditional" indicating a settlement, payment plan, or pending challenge. Linking entity is John Joseph Siegel Jr.

Deficiencies Details:

The application does not meet the State of Utah R645 requirements for Violation Information.

R645-301-113.300: The Permittee provided an updated Table 1-2 Three Year Violation History of Mining and Reclamation Operations.

An AVS Permit Evaluation Report was generated for the Sufco Mine C/041/0002 on September 7, 2017. The report listed 13 violations. Violation 6 is outstanding, a State Civil Penalty issued to Bowie Refined Coal, LLC. Linking entity is James J Wolff. The remaining violations are coded "conditional" indicating a settlement, payment plan, or pending challenge. Linking entity is John Joseph Siegel Jr.

The Permittee is required to update the violation information to include the outstanding violation.

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