



State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

January 12, 2018

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

Subject: General Chapter 1 Update, Canyon Fuel Company, LLC, Sufco Mine, C/041/0002, Task #5566

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) 538-5325 or Steve Christensen at (801) 538-5350.

Sincerely,

Daron R. Haddock
Coal Program Manager

DRH/sqs
cc: Chris Hansen, CFC
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Technical Analysis and Findings

Utah Coal Regulatory Program

PID: C0410002
TaskID: 5566
Mine Name: SUFCO MINE
Title: GENERAL CHAPTER 1 UPDATE

General Contents

Identification of Interest

Analysis:

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

Section 112, page 1-3 identifies Canyon Fuel Company, LLC as a limited liability corporation as well as both the applicant and operator. Bowie Resource Partners, LLC's address and employer identification number are provided on page 1-5. Corporation Service Company and its address are provided as the resident agent for the Permittee.

The previous technical analyses (Task ID #5455 and Task ID #5507) had identified discrepancies relative to the start and end dates for a number of officers and directors associated with the entities in the Permittees organizational structure. Individuals were identified in the previous amendments as holding positions that prior to the submission of the amendments, DOGM was unaware of (e.g. Grant Quasha, John Siegel, Steve Rickmeier). The Permittee was directed to address these discrepancies. In the cover letter provided with the most current amendment (dated November 30th, 2017), the Permittee indicates that, due to several AVS issues that had surfaced in recent months, the information for these individuals was being provided in an effort to be inclusive of any personnel who had been associated with Canyon Fuel Company, LLC in the past (including those no longer associated with the Permittee or who's positions/responsibilities had changed). Why these individuals had not been identified as officers and directors prior to the submission of the amendments is still unclear. However; as James J. Wolff (acting Chief Financial Officer for Bowie Holdings, LLC, Bowie Resource Partners, LLC, Bowie Resource Holdings, LLC, Bowie Resources, LLC, Bowie Coal Sales, LLC, Canyon Fuel company, LLC. And Fossil Rock Resources, LLC) is the sole individual with any outstanding AVS issues, DOGM will accept the Permittee's submission of the revised officer and director information.

In section 112.200 on page 1-3 of the amendment, Canyon Fuel Company, LLC is identified as both the applicant and operator. The cover letter for the amendment discusses how Section 112.300 of Chapter 1 identifies Bowie Resource Partners, LLC as the "Ultimate Parent Entity" for Canyon Fuel Company, LLC. However; upon review of Section 112.300, Bowie Resource Partners is not identified as the ultimate parent entity. To the contrary, the words "Ultimate Parent Entity" (located immediately following 'Bowie Resource Partners, LLC' on page 1-5) are struck. It appears that this may be a typographic error and that, upon review of Figure 1-1A, Bowie Holdings, LLC was to be identified as the "ultimate parent entity" in Section 112.300 of the amendment.

Nonetheless, it should be noted that Section 112.300, Officers of the Applicant states, "This section identifies who owns the applicant and operator Canyon Fuel Company". As indicated previously, an ultimate parent entity is not identified. Furthermore two additional entities are listed in Section 112.300 prior to Bowie Resource Partners, LLC. The two entities are Galena US Holdings, Inc and Bowie Holdings, LLC. Galena Holdings, Inc and Bowie Holdings, LLC are both identified above Bowie Resource Partners, LLC in terms of ownership in Figure 1-1A, Organizational Chart of Bowie

Holdings, LLC As Of November 29, 2017(Figure 1-1A). Figure 1-1B, Organizational Chart of Bowie Holdings, LLC As Of November 29, 2017 (Figure 1-1B) depicts ownership and organizational structure beginning with Bowie Holdings, LLC. Figure 1-1B identifies four additional entities above Bowie Holdings, LLC in terms of ownership with Galena Private Equity Resources Limited (Board) at the top of the organizational structure.

State of Utah rules R645-301-112 thru R645-301-112.900 identify the required ownership and control information. Information required by R645-301-112.300 thru -112.340 includes (but is not limited to) the name, address, employer identification number and telephone number of each business entity in the applicant's and operators organizational structure, up to and including the ultimate parent entity of the applicant and operator. R645-100-200 defines "Parent Corporation" as a "corporation which owns or controls the applicant". Additionally, R645-301-112.300 requires information for "every person who owns, of record, 10 percent or more of the entity". R645-100-200 defines "Person" as "an individual...partnership, association, society, joint venture, joint-stock company, firm, company corporation, cooperative or other business organization...".

Upon review of the narrative revisions beginning in Section 112, Appendix 1-1 as well as Figures 1-1A and 1-1B, additional ownership and control information is required. Information has been provided for Galena US Holdings, Inc, Bowie Holdings, LLC and Bowie Resource Partners, LLC. Additionally, information has been provided relative to the applicant and operator (in this case Canyon Fuel Company, LLC). Interestingly, the address for Galena US Holdings, Inc is in Dover, Delaware; however, the phone numbers provided appear to originate in Switzerland and the United Kingdom.

However; the required information has not been provided for Bowie Resource Holdings, LLC, Galena Investments Limited, Galena Private Equity Resources Fund LP and Galena Private Equity Resources Limited (Board). As discussed previously, the R645-301-112 rules require information for "every person who owns, of record, 10 percent or more of the entity". Figures 1-1A and 1-1B and Appendix 1-1 clearly show such entities (see above) with 10 percent or more ownership within the organizational structure of Canyon Fuel Company, LLC in which the required information has not been provided.

The Permittee must provide the required Identification of Interest information for each of the entities who are identified in Appendix 1-1 and Figures 1-1A and 1-1B with 10% or more ownership within the organizational structure of Canyon Fuel Company, LLC (i.e. applicant and operator).

Deficiencies Details:

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

R645-301-112 thru 112.900: The Permittee must provide the required Identification of Interest information for each of the entities who are identified in Appendix 1-1 and Figures 1-1A and 1-1B with 10% or more ownership within the organizational structure of Canyon Fuel Company, LLC (i.e. applicant and operator).

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Violation Information

Analysis:

The application meets 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 January 12, 2018. The report listed 12 violations. The violations are coded "conditional" indicating a settlement, payment plan, or pending challenge.

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