



June 29, 2010

Ms. Catherine Robertson, Field Manager
Bureau of Land Management
Grand Junction Field Office
2815 H Rd
Grand Junction, Colorado 81506

RE: McClane Canyon Expansion Project

Dear Catherine,

Please find attached the McClane Canyon Mine Expansion Project description document.

Feel free to contact me anytime to discuss.

Thanks for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Corey Heaps". The signature is written in a cursive, flowing style.

Corey Heaps
Project Manager
(970) 245-2987

McClane Expansion Project
McClane Canyon Mining, LLC
CAM-Colorado, LLC

General Description

McClane Canyon Mining, LLC owns the McClane Canyon Mine (Mine) which is located on SH-139 at MM ~19. The mine currently trucks about 280,000 tons of coal per year to the Cameo Power plant located off I-70 at Exit 46. The Cameo Power plant is scheduled to close at the end of 2010. Since the Cameo Power plant is the Mine's only customer, the Mine will also close at the end of 2010. McClane Canyon Mining, LLC wants to keep the Mine in operation, but there are no other potential customers for this coal that are close enough to make transportation by truck economical. Rail is the only economically viable transportation mode for the coal.

The Union Pacific (UP) mainline is located approximately twenty miles from the mine site. CAM-Colorado, LLC (CAM) a sister company of McClane Canyon Mining, LLC, investigated potential locations where a unit train loadout could be constructed from Mack to Cameo. The most favorable location is a tract of private land located west of the old Fruita refinery.

The reserves mined at the McClane Canyon Mine are high quality compliance coal. A cleaning plant will be installed in order to maintain a high quality product. The cleaning plant will consist of a crushing and screening plant, air jig plant, bag house and numerous conveyors. The Mine intends to increase production to 500,000 clean tons per year in order to justify the expense of a loadout and cleaning plant.

The clean coal will be loaded into trucks with a front end loader and hauled to the Fruita loadout. The cleaning plant will remove the impurities in the coal which are referred to as coal mine waste. The coal mine waste will be permanently stockpiled in a location south of the mining operation. Please see attached drawing showing both existing disturbances and proposed disturbances.

Coal Cleaning

The coal cleaning plant will be located in the canyon above the offices and below the mine portal. McClane Creek is an ephemeral channel that forms the canyon. Topsoil will initially be salvaged from the coal cleaning plant area and placed in a stockpile. Earth moving operations will shape the site to accommodate a crushing and screening facility, air jig plant, product and coal mine waste stockpiles and various conveyors. McClane Creek will be placed in a 660 foot long large diameter culvert to develop necessary room for the facilities and stockpiles.

Run of mine coal will be conveyed to the crushing and screening building. The crushing and screening plant has about a 30 foot square footprint and is about 40 feet tall. This process will segregate the coal into fine and course fractions. When mine quality is good, both fractions of the coal will be directed to the clean coal belt. When mine quality is poor, one or both of the fractions will be conveyed to the air jig plant. The plant including the bag house has about a 75 foot by 40 foot footprint and is about 50 feet tall. The plant uses pulsating air to separate the coal from sandstone and shale impurities. The clean coal flows to a clean coal belt and the impurities are conveyed to a coal mine waste loadout bin. The clean coal is stockpiled with a radial stacker. The air jig plant's pulsating air is directed to a bag house where fine dust particles are collected. The fine particles from the bag house may be directed to the clean coal circuit or refuse circuit.

Numerous beltlines are required to move the coal and refuse to the appropriate locations. The raw coal belt feeds the crushing and screening building. This 36 inch wide belt is 700 feet long, 560 feet on grade and 140 feet elevated. Raw coal is pushed or hauled to the raw coal belt feeder by a front end loader. There will be one or two short transfer belts in the crushing and screening building.

There are two beltlines that feed the air jig plant. These 36-inch wide belts are 125 feet long and are elevated. There are three short transfer belts within the plant. One 24 inch wide belt about 24 feet long coveys refuse. One 30-inch wide belt about 30 feet long coveys clean coal. One 24 inch wide bidirectional belt about 55 feet long located under the bag house coveys fines to the clean coal belt or coal mine waste belt depending on quality.

The clean coal collection belt is located north of the crushing and screening building and air jig plant. The 36 inch wide belt is 480 feet long and feeds a 50 foot long radial stacker. The 36 inch wide coal mine waste collection belt is 70 feet long and feeds a coal mine waste surge bin. The surge bin is comprised of 8 foot tall retaining walls. The back wall is 25 feet long. The two side walls are a total of 45 feet long. See Attached prepration plant drawing layout.

Coal Mine Waste Pile

The first task of the construction of the coal mine waste disposal area is the construction of the sedimentation pond and associated collection and diversion ditches. The second task is the stripping of topsoil, removal of all organic material and salvaging cover material over about one-half of the disposal area founding. The topsoil and cover material will be placed in separate stockpiles for use in final reclamation.

The capacity of the coal mine waste disposal area is 1,000,000 cubic yards. The side slopes of the pile will be no steeper than 3h:1v slopes with 15' wide terraces on 50' vertical intervals. Terraces will slope 5% back towards the pile and 2% to 5% towards collection ditches.

The coal mine waste material will be hauled by truck to the refuse disposal area where it will be spread in maximum lifts of 24 inches and compacted. The top of the pile will be sloped to the east to ensure run-off from the fill surface flows to the collection ditches and is not allowed to flow over the outslope of the fill. A berm will be maintained to assure water does not flow over the outslope.

Coal mine waste will be placed and compacted to 90 percent of the maximum dry density to prevent spontaneous combustion and to provide the strength required for stability of the refuse pile. Dry densities will be determined in accordance with AASHTO T99-74. The placing and spreading of the coal mine waste will be started at the lowest point of the foundation. The coal mine waste will be keyed into the natural ground. Materials will be spread in approximately horizontal lifts no more than 24-inches thick, and such lifts made uniformly over long stretches. Each lift will be moistened or dried to a uniform moisture content suitable for maximum compaction. Compaction will be carried to the edge of the fills so that the final slopes are firm. The fill will be shaped and benches (terraces) constructed in accordance with the design parameters listed above.

State Highway 139, a scenic highway, is located west of the coal mine waste disposal area. There are numerous cottonwood trees and other vegetation that provide some level of screening between the highway and the disposal area. Plating the west facing slope of the disposal area with cover material will provide additional screening. The top of the pile will be sloped from west of east. To the extent practicable and cover material will be kept at the level of the west facing slope. The cover material will initially be obtained from the coal mine waste disposal area founding located immediately south of the active disposal area. As the pile increases in size cover material will be obtained from the stockpile. Please see attached coal mine waste pile drawing.

Stockpiles

Two stockpiles will be located south of the facilities. One stockpile will be cover material and the other will be topsoil. Cover material is generated from excess material generated from the plant area construction and excavation of the sediment pond. Additionally, approximately 45,000 cubic yards of cover material will be salvaged from the coal mine waste pile founding. The cover material stockpile will contain approximately 55,000 cubic yards. Topsoil will be salvaged from the plant area, sediment pond area and coal mine waste pile founding.

Trucking

From the mine, the trucks will travel south on SH-139, east on HWY 6&50 and then turn south on 15 road then turn west off of 15 road to access the loadout. The turn off of 15 Road is about 1300 feet south of HWY 6 & 50. The Mine projects 80 truck loads per day over a 20 hour period five days per week 50 weeks per year. The trucks are tractor trailer units with a 25 ton payload. Coal mine waste will be hauled about 0.4 miles from the cleaning plant area to the coal mine waste disposal area. The coal mine waste disposal area is approximately 1,000 feet long so at times the trucks will travel at total of 0.6 miles. Thirty ton capacity trucks will likely be utilized for this haul. Approximately 125,000 tons of coal mine waste will be generated at a clean coal production of 500,000 tons per year. This equates to 17 truck loads per day over a 20 hour period five days per week 50 weeks per year.

Rail Loadout Options

Construction of a unit train loadout requires a large tract of land. The land needs to be large enough to handle about three miles of track. If a rail loop is constructed the land needs to be over one quarter mile wide. Large diameter curve radius requirements of rail further complicate site selection. CAM investigated potential loadout sites from Cameo to Mack. Cameo, some 55 miles from the mine site was selected as the eastern extent of site investigation. Mack was the west end of site investigation since the Union Pacific main line turns south into Ruby Canyon at Mack.

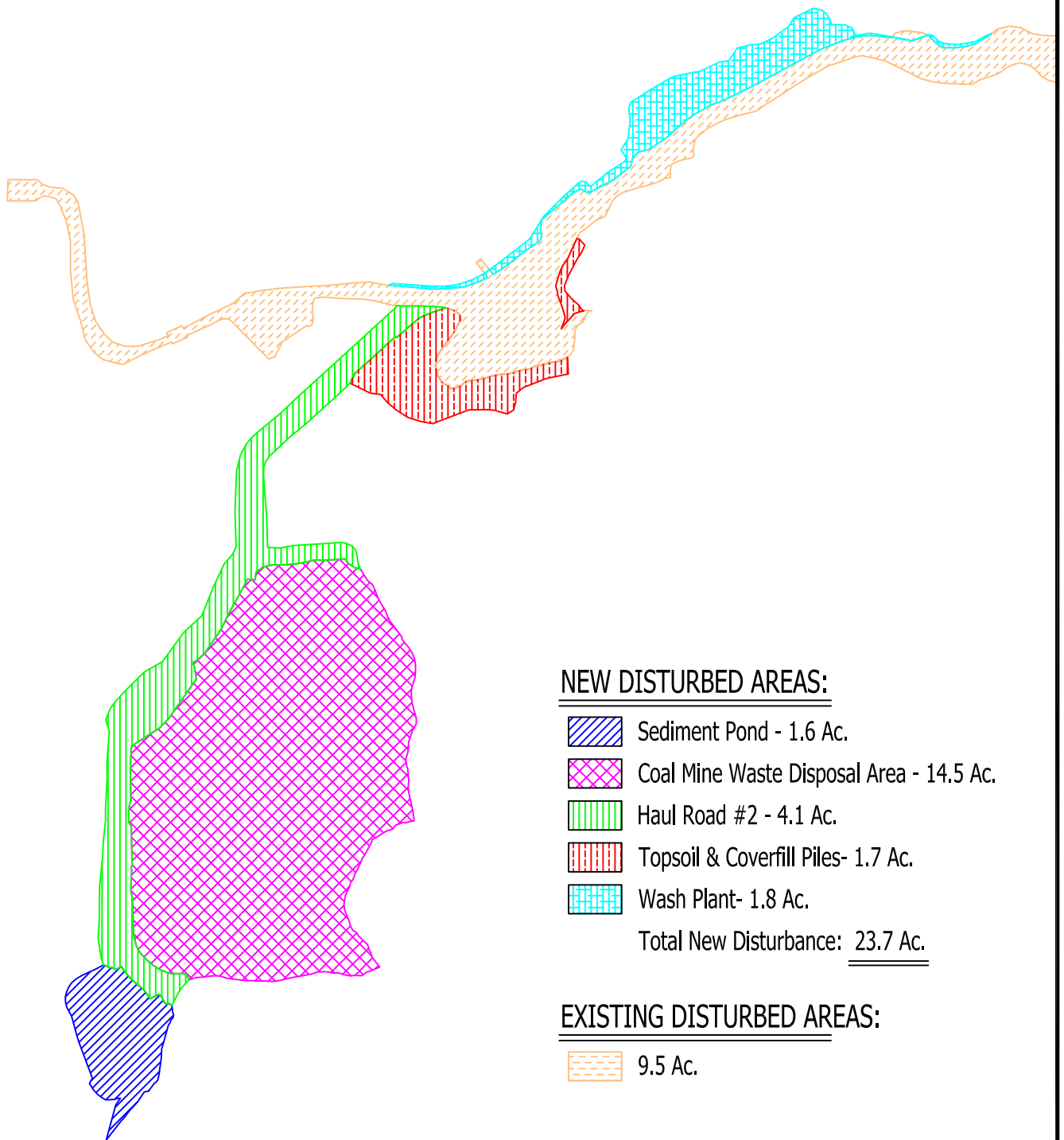
The potential loadout sites are located from Mack at about 10 Road to the old Fruita refinery at 15 Road and Cameo. There were no potential loadout sites identified between 15 Road and Cameo because the lands surrounding the UP mainline are so heavily developed. The Cameo option was eliminated from consideration because of its distance from the mine and the private owners were unwilling to sell.

CAM considered using its private land north of Mack. It was possible to layout a train loadout on the land. This option was eliminated because of zoning issues, nearby residences and the M.8 road crossing.






A loadout was considered along the UP mainline, within the UP right-of-way, between Highway 6 & 50 on the west and 13 Road to the east. This option was eliminated because of construction difficulties along the mainline, zoning issues and nearby residences.

A loadout was considered at the old Fruita Refinery. This option was discounted because a loadout would not fit on the property.

The land west of the old Fruita refinery was selected as the best location for a loadout. The land is large enough to accommodate the necessary track length and a rail loop, the land was for sale and the land is zoned I-2 General Industrial District.



NEW DISTURBED AREAS:

-  Sediment Pond - 1.6 Ac.
 -  Coal Mine Waste Disposal Area - 14.5 Ac.
 -  Haul Road #2 - 4.1 Ac.
 -  Topsoil & Coverfill Piles- 1.7 Ac.
 -  Wash Plant- 1.8 Ac.
- Total New Disturbance: 23.7 Ac.

EXISTING DISTURBED AREAS:

-  9.5 Ac.

ENGINEER'S CERTIFICATION

I hereby certify that this drawing was done by me or under my direct supervision and that all of the information presented on this drawing is true and correct to the best of my knowledge and belief.

James E. Stover _____ Date _____
 Colorado P.E. 19230



PREPARED FOR:

McCLANE CANYON MINING LLC

P.O. Box 3827
 116 1/2th Street
 Pikesville, Kentucky 41501
 Telephone #: (606) 432-3940
 Fax #: (606) 432-6031

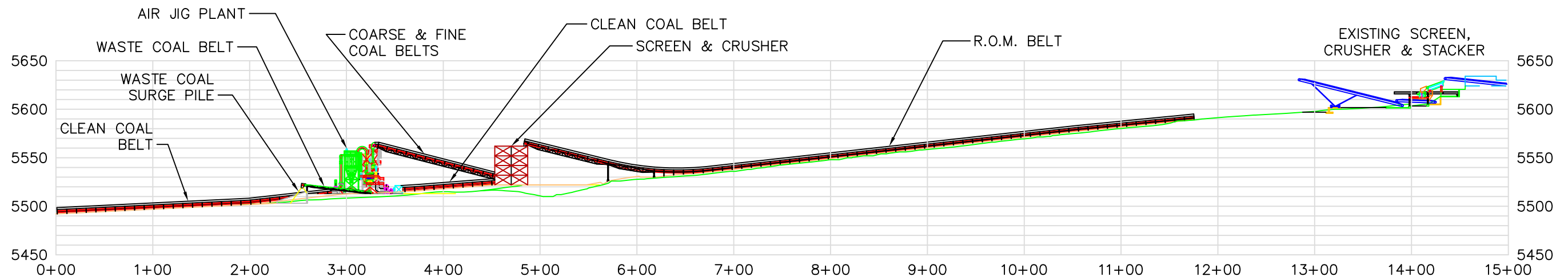
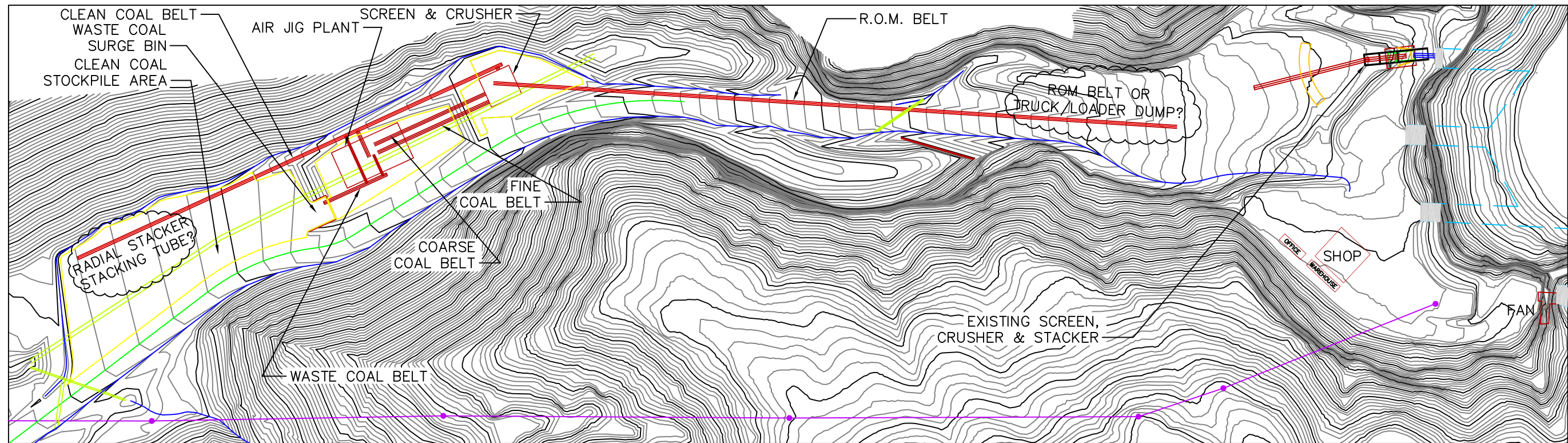
P.O. Box 98
 Loma, CO 81524
 970-858-3960



McCLANE CANYON MINE

NEW DISTURBED AREA

DESIGN BY:	L.K.J.	DATE:	06/10
DRAWN BY:	T.K.B.	CHK'D BY:	J.E.S.
SCALE:	1" = 400'		
DWS, NAME:			



REVISIONS	No.	DESCRIPTION	DATE

REFERENCES

LEGEND:

- DESIGN CULVERT
- CENTER OF HAUL ROAD
- POWER LINE
- PROFILE EXISTING GROUND
- PROFILE FINAL GROUND

2' Contour Interval

ONE INCH

PREPARED FOR:
CAM-COLORADO LLC

CORPORATE OFFICE:
424 Latta Hargill Ct., Ste 200
Lexington, Kentucky 40503
Telephone #: (858) 389-8500

LOCAL OFFICE:
2322 N. 7th St., Unit B
GRAND JUNCTION, CO 81501
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PREPARED BY:
STOVER & ASSOCIATES, INC.
2008 N. 9th St., Unit B
Grand Junction, CO 81501
Telephone #: (970) 248-2987

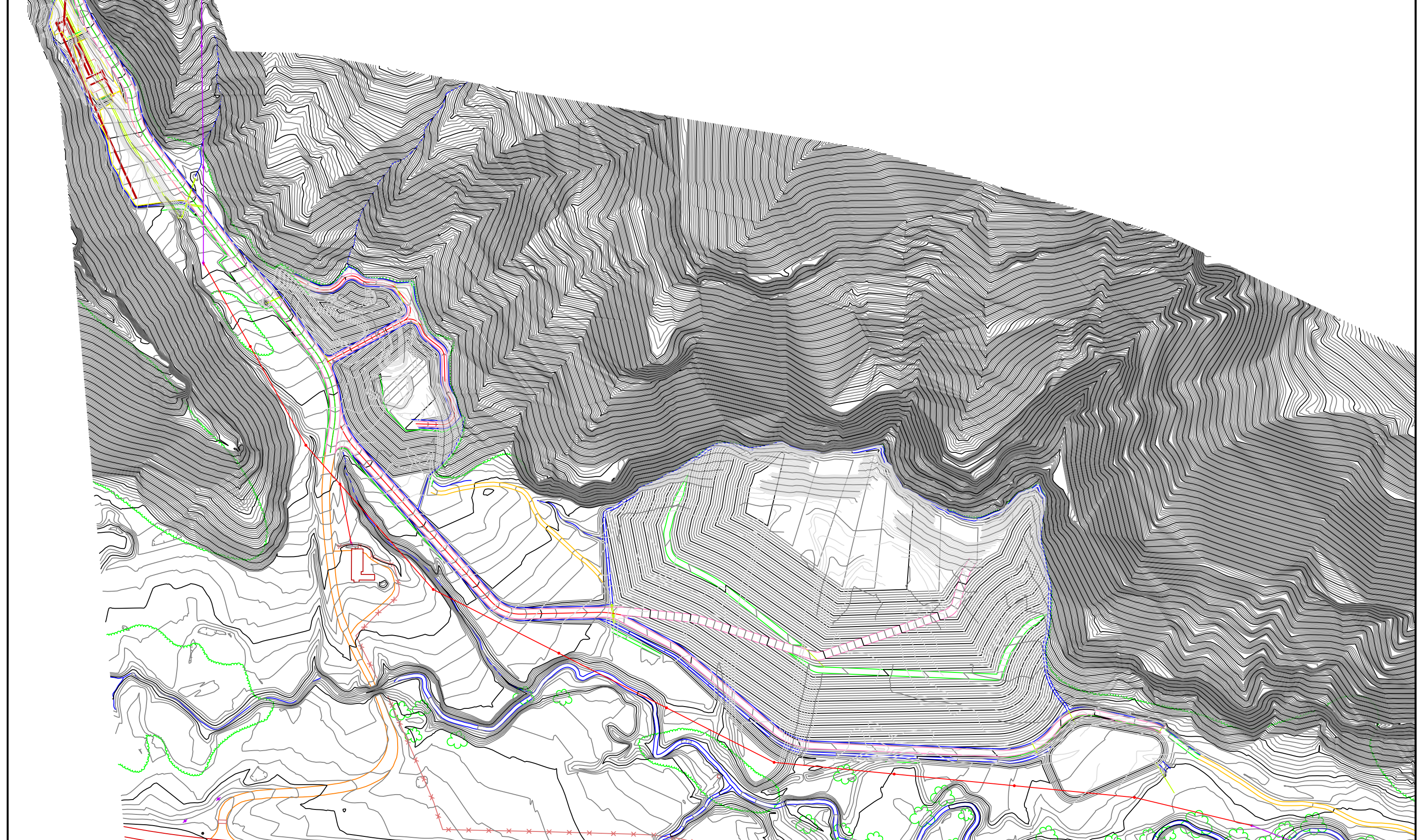
PROJECT: RED CLIFF MINE

TITLE: AIR JIG PLANT CONCEPT

DWG I.D. No. _____

DWG NAME: PLAN B CONCEPT PLANT

SCALE: 1" = 50'



No.	DESCRIPTION	BY	DATE	
				REFERENCES

LEGEND: - - - LEASE BOUNDARY
- - - McCLANE PERMIT BOUNDARY

PREPARED FOR:
 PREPARED BY: J. E. STOVER & ASSOCIATES
 8188 North 10th Street, Suite 11
 Grand Jct., CO 81501

DESIGNED BY: J.E.S. 09/2009
 DRAWN BY:
 CHECKED BY:



PROJECT: CAM-COLORADO, LLC
 TITLE: McCLANE CANYON MINE PLAN B
 COAL MINE WASTE PILE
 DWG. I.D. No.:
 SCALE: 1" = 100'
 DWG. NAME: FIGURE I