

EXHIBIT TO

IN THE MATTER OF THE APPEAL)
OF THE PITTSBURG & MIDWAY)
COAL MINING CO.'S WELCH)
PERMIT NO. 497-T4.)

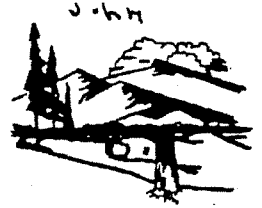
) Docket No.: 07-4600
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**MEMORANDUM IN SUPPORT OF
MOTION OF THE PITTSBURG & MIDWAY COAL MINING CO.
TO DISMISS PURPORTED APPEAL, WITH PREJUDICE**

EXHIBIT "I"



Department of Environmental Quality



To protect, conserve and enhance the quality of Wyoming's environment for the benefit of current and future generations.

Dave Freudenthal, Governor

John Corra, Director

October 16, 2006

Mr. John C. Willson
PO Box 2244
Gillette, WY 82717

RE: Request for Director review

Dear Mr. Willson:

You have requested that I informally review a decision by Rick Chancellor, Administrator of the Land Quality Division, concerning your complaint of September 20, 2006. The purpose of this letter is to provide you with the results of my informal review.

In Mr. Chancellor's letter of September 15, 2006, he adequately responded to the issue of surface owner consent by requiring the operator to obtain the necessary access assurances prior to the expiration of the surface use agreement. Regarding your complaint of incomplete reclamation of the "cut bank" along the access road, I am directing Mr. Chancellor to issue the appropriate notice to the operator that reclamation of that area is un-satisfactory and to submit a plan for correction.

The questions of whether the operator deliberately made false statements to DEQ and our awareness of that at the time of permit approval is one that I will explore further. By copy of this letter, I am directing Mr. Chancellor to schedule a meeting with P&M Coal Company to discuss this matter. The purpose of this meeting will be to clarify the facts at the time of the review of the application for permit renewal and ascertain any culpability. I will inform you of the results of that meeting.

The issue at this time is what, if anything should be done in response to the outcome of this inquiry. It is clear that LQD staff issued the most recent renewal with the stated purpose of providing time to ensure that reclamation already completed is successful. Obviously, access to the area is necessary to make that determination. Any remedy that transfers the obligation ensuring reclamation success from the operator to the State via bond forfeiture does not change the basic facts on the ground,

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Mr. John Willson
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does not deal with the access issue, and does not affect the quality of outcome as far as your interest is concerned. What it would do is transfer the liability to the state, which I am not willing to accept until absolutely necessary. My view is that the responsibility rests squarely with P&M Coal Company, and should remain there.

Mr. Chancellor's response requiring the operator to remedy the access situation is appropriate for the time being. At the actual time of expiration of the surface use agreement, all of the parties will be faced with the reality that the bond clock will continue and there must be some method for reaching a conclusion. I would expect all of the parties by that time to have come together and reached consensus on a resolution.

Sincerely,



John V Corra
Director

cc: Rick Chancellor, DEQ Administrator
John Burbridge
Steve Leach, P & M Coal Mining Co.