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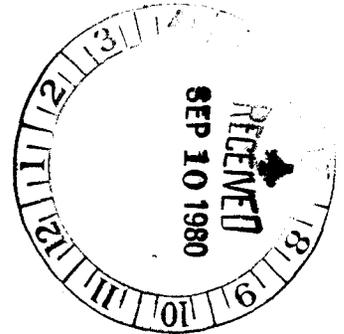
EUREKA ENERGY COMPANY

A SUBSIDIARY OF PACIFIC GAS AND ELECTRIC COMPANY

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September 8, 1980



U. S. Department of Interior
Office of Surface Mining
Reclamation and Enforcement
Brooks Towers
1020 - 15th Street
Denver, CO 80202

ATTN: Thomas E. Ehmett
Acting Asst. Regional Director
Division of Inspection and Enforcement

Dear Mr. Ehmett:

This letter is in response to your letter of July 30, 1980 transmitting a report of an on-site inspection of the Sage Point Mine property conducted by Eileen Doherty on June 25.

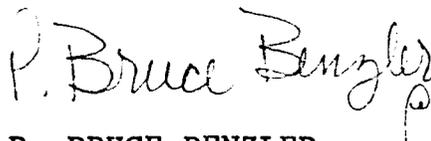
Since 1975, Eureka Energy Company has conducted an exploration program on the Sage Point-Dugout Canyon properties in anticipation of a proposed underground coal mine project. Exploration activities have been conducted under the supervision of the U.S. Geological Survey (U.S.G.S.) and the Utah Division of Oil, Gas and Mining (DOG&M). Current exploration activities are being conducted under a permit granted by the U.S.G.S. on June 25, 1979 with amendments approved on July 29, 1980. Concurrent DOG&M authorization was granted on September 7, 1979 with amendments approved on August 1, 1980.

Exploration activities approved in permits issued by U.S.G.S. and DOG&M include those being conducted in the portion of Fish Creek Canyon mentioned in Ms. Doherty's report. The environmental protection standards with which Eureka must comply under the permits cover the points of concern raised in the report. Eureka's conformance to such environmental standards is, of course, subject to the enforcement authority of both U.S.G.S. & DOG&M.

A separate issue raised in the inspection report related to a stream ford of Soldier Creek where it is crossed by Dugout Canyon Road. Though it is used for access to portions of the Sage Point-Dugout Canyon properties, Dugout Canyon Road is owned and maintained by Carbon County.

Eureka Energy will continue to work closely with the U.S.G.S. and DOG&M to ensure that our exploration activities are conducted in an environmentally responsible manner in accordance with applicable requirements. After the mining and reclamation permit application for Sage Point-Dugout Canyon is submitted later this year, Eureka will, of course, work closely with your office regarding exploratory work which may be required in the future.

If you have any questions or comments in this matter or if you need any additional information, please do not hesitate to contact me.



P. BRUCE BENZLER
Manager, Administrative &
Regulatory Services

PBB:smj

cc: RFGoudge, Price, UT
TJSuchoski, Utah DOG&M
JWMoffitt, U.S.G.S.