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STATE OF UTAH
NATURAL RESOURCES & ENERGY
Oil, Gas & Mining

Scott M. Matheson, Governor
Temple A. Reynolds, Executive Director
Cleon B. Feight, Division Director

4241 State Office Building • Salt Lake City, UT 84114 • 801-533-5771

March 23, 1983

Mr. Robert Wiley
Environmental Engineer
Price River Coal Company
P.O. Box 629
Helper, Utah 84526

RE: Rock Slide Report in Crandall
Canyon and Life of Mine Permit
Request for PRCC Complex
ACT/007/004 ✓
Carbon County, Utah
Folder No. 3

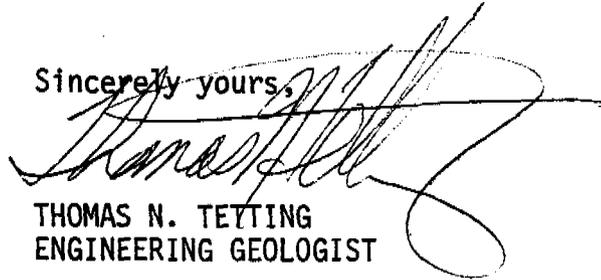
Dear Mr. Wiley:

Thank you for submitting information to the Division in compliance with UMC 817.99. Your phone call and immediate attention on the morning of March 14, 1983 (the date of the slide occurrence) was also appreciated. An inspection of the area was made on Wednesday, March 16, 1983 by Dave Lof from the Division. The site is as you have indicated in your letter. No problems were found with the handling of the slide debris. One comment is offered; should the debris be located on a newly constructed (filled) shoulder of the road, the additional weight may initiate minor damage i.e. cracking of the new pavement. I'm sure you must already be aware of this concern but it is offered for posterity's sake nevertheless.

Your letter of March 21, 1983 regarding the request for consideration of a life of mine permit has been reviewed. Mel Schilling at the Denver Office of Surface Mining (OSM) office was briefly informed of the general nature of its contents in preparation for your intended meeting on March 24, 1983. Ron Daniels, Deputy Director of the Division is preparing a position statement for you concerning the matter. I will not be able to attend the meeting as Mr. James Smith did not think it necessary for the State to be present. I trust you will find OSM receptive to the idea, anyway. If I may be of further service please call on me at any time.

Mr. Robert Wiley
Environmental Engineer
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Sincerely yours,

A handwritten signature in black ink, appearing to read 'Thomas N. Tetting', written over the typed name and title.

THOMAS N. TETTING
ENGINEERING GEOLOGIST

TNT/gb

cc: Dave Lof, DOGM
Lynn Kunzler, DOGM
Bennett Young, OSM Denver

Enclosures (2)

PRICE RIVER COAL COMPANY

P.O. BOX 629 HELPER, UTAH 84526 (801) 472-3411

March 17, 1983

Mr. Tom Tetting, Engineer Geologist
Division of Oil, Gas and Mining
4241 State Office Building
Salt Lake City, Utah 84114

Re: Rock Slide in Crandall Canyon - Compliance with UMC 817.99

Dear Mr. Tetting:

As required by UMC 817.99 I am reporting the occurrence of a landslide that affected a portion of PRCC mine area.

Sometime during the evening of 3-13-83 or the early morning of 3-14-83 a rock slide occurred in Crandall Canyon which caused damage to the access road and deposited about 300 yds³ of material on the road, filling both the northern ditch and the southern shoulder with boulders ranging in size from 6" to 10' in diameter. Some boulders rolled all the way to the stream channel, taking out 2 or 3 fir and pine trees. The attached map shows the location of the slide.

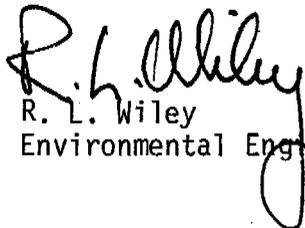
There does not appear to be a continuing safety hazard associated with this slide area. There also does not appear to be any ongoing environmental problems with the slide or materials.

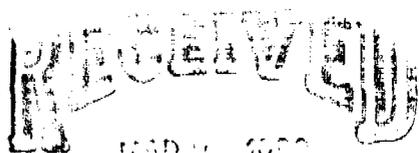
The cause of the slide was not related to road construction as the displaced material came from an undisturbed cliff about 150 feet above any construction areas.

Rock removed from the road will be placed, permanently, on the 30' X 60' road shoulder across from the slide. Smaller fragments will be scavenged for rip-rap at a later date.

Very truly yours,

PRICE RIVER COAL COMPANY


R. L. Wiley
Environmental Engineer



RLW:jp
DIVISION OF
OIL GAS & MINING

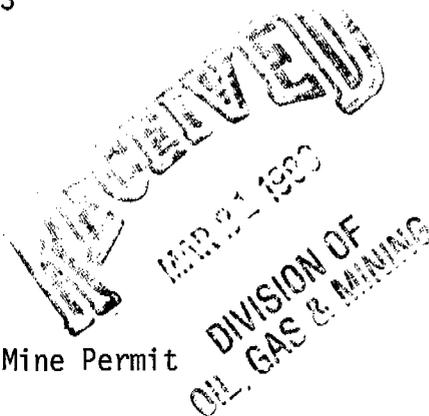
Attachments

PRICE RIVER COAL COMPANY

P.O. BOX 629 HELPER, UTAH 84526 (801) 472-3411

March 21, 1983

Mr. Tom Tetting, Engineering Geologist
Division of Oil, Gas and Mining
4241 State Office Building
Salt Lake City, Utah 84114



Re: Request for Consideration of A Life of Mine Permit

Dear Mr. Tetting:

Price River Coal Company requests that your agency review the pending mining and reclamation plan with consideration for your issuance of a life of mine permit. Various sections of the existing acts and regulations allow the granting of permits for periods in excess of five years. (Chapter 10 of Title 40, Utah Annotated Code, 1953, Amended 1979, 40-10-9(2), Utah Coal Mining and Reclamation Permanent Program Regulations, Revised 9-82, UMC 782.17, UMC 786.25, et al; Public Law 95-87, 8-3-77, Section 506(b) and regulations promulgated thereunder). Review of the pertinent requirements suggests that the significant factors to be considered for the issuance of a permit in excess of five years are the submittal by the permittee of "full and complete" information in the application for a longer specified period and a showing by the permittee that the availability of financing for the operation is tied to a term longer than five years.

There are few, if any, clear guidelines in the acts, the regulations or the legislative history which provide an interpretation of the two concepts relating to a long-term permit. The regulatory agency should develop guidelines that reflect the intent of the laws in a reasonable manner with consideration for the realities of underground mining operations. The vast majority of underground mining operations are capital intensive at the onset, slow to produce a return and long term in operation. The legislative history of the permit term regulations indicates that a five-year permit period was considered to be a reasonable term, although the basis for the reasonability of the term is not substantiated. It is here suggested that the five-year operation of a mine could only be considered reasonable if strip mining operations and their operating histories were used as a basis for the judgement. Strip mines generally require a relatively small capital investment for start up based on minimal construction and rapid development that provide a quick return on expenditures.

This company feels that the issuance of a long-term permit is justifiable based on a reasonable interpretation of UMC 786.25 requirements. We have provided information in our mine plan which shows development and extraction of all minable coal seams within the entire controlled reserve using the best mining technology currently available. These plans have been developed over a period from in 1972 to 1977. We are now operating and will continue to operate within this conceptual framework which projects activity to occur for 28 to 81 years depending, of course, on market conditions and other limiting factors (see Table 3.1-1, p. 64, MRP). We have already expended a significant capital investment based on the belief, prior to the advent of P.L. 95-87, that the long-term mining plans could be carried out to completion. We are now a little past the midpoint of our development plans. Additional capital must be obtained. Its availability to us

Mr. Tom Tetting, Engineering Geologist
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is directly related to our ability to demonstrate to financial institutions that Price River Coal is a viable business venture with real potential to carry through the plans upon which further investments will be based.

In an attempt to satisfy the requirements for a long-term permit we will demonstrate the "full and complete" nature of the information presented in our mining and reclamation plan and the relationship of obtaining financing to a long-term plan.

I. FULL AND COMPLETE ISSUE

We feel that the full and complete requirement is satisfied for the entire mine area by the inclusion of the following information:

1. Plans for the development and extraction of the entire controlled reserve.
 - A. Plans are included as Exhibits 3-1 through 3-21 showing all mining with differentiation of mining method. Chapter three describes the mining plans and projected start up dates, development periods, additional facilities and duration of activity.
 - B. Plans and designs of existing surface facilities which will operate throughout the life of the mine.
 - 1) The Castle Gate preparation plant was designed and installed to process coal from all mines and could remain in operation through the year 2066.
 - 2) The approved Crandall Canyon shaft facility will service the No. 3 Mine for 34 years and the No. 5 Mine for 48 years.
 - 3) The portals, fans and electrical equipment in Hardscrabble Canyon and Sowbelly Gulch will remain in use for 34 and 48 years respectively.
 - 4) The Willow Creek facility is projected as a long-term storage area to be used as such until plans can be finalized and capital obtained for the opening of the #6 and #6A Mines. We have maintained constant ventilation in the old mines on the site (Castle Gate #2) since 1972 so that the re-opening potential will not be lost.
2. Resource Baseline Information is included for the entire mine area.
 - A. Geologic and coal reserve information is discussed in Chapter 6.

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- B. Archaeologic, historic and cultural resource investigations have covered a large portion of the area over which mining will occur. Investigations have revealed that such resources are not in existence (see Chapter 5 and Exhibit 5-1). Utah state history has been provided with a map (Exhibit 3-1A) showing the location of all proposed surface facilities and their advice requested on additional surveys. OSM's Foster Kirby has recommended that additional surveys not be commenced for future developments until we are prepared to begin designing the proposed facilities.
 - C. Chapter 10 describes use by wildlife of the entire mine area, discusses habitat and sets forth a wildlife impact mitigation plan. Although each proposed surface facility will require some site specific population surveys, such surveys are not relevant if done too far in advance of intended use of an area.
 - D. Vegetation resources have been analyzed and mapped for the entire area (Chapter 9, Exhibit 9-1). Reference areas have been established which include most (if not all) plant associations. New facilities would require some survey work to tie them to one or more of these. A reclamation plan has been developed to include all possible site situations.
 - E. Hydrologic information, both in the present MRP and to be expanded as a result of ACR comments is applicable to the entire reserve.
 - F. All plans in all chapters for the protection of or mitigation of impacts on resources and compliance with performance standards apply to all existing and future surface facilities.
3. Rights to mine and access to reserves is assured for an extended period.
- A. All existing facilities are on fee or fee surface lands.
 - B. All existing and renewable coal leases are for a 20-year period and confer rights to access through surface facilities.
 - C. The development and extraction plans for the entire coal reserve were reviewed (as again presented in the MRP application) and approved by the Minerals Management Service in April, 1977. Such approval recognized the need for all proposed surface facilities (with stipulations for submittal of details prior to intended commencement).
 - D. No restrictions to mining have been placed upon the mine area as a result of the completion of the Central Utah EIS with the exception of maintaining a 30° to 45° angle of draw for longwall mining along Price Canyon and Willow Creek.

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- E. Local zoning and planning frameworks do not preclude continued mine development.

In conclusion, PRCC's interpretation of "full and complete" is primarily related to the coal extraction plan, the area wide applicability of existing environmental resource data and long-term legal rights to mine. We feel that these items are addressed to the "full and complete" extent that would allow for the issuance of a life of mine permit. Additional information needed for proposed surface facilities is of a relatively minor nature when compared to the development of the overall mining plan. Such items as necessary (similar to the Crandall Canyon package) would, of course, have to be developed and reviewed well ahead of anticipated startup dates for each facility. We would not presume that a long-term permit would confer automatic approval of proposed facilities without review. We would intend to provide bond for all existing surface facilities and supply additional bond for new areas. We are concerned that a short term permit would greatly inhibit or perhaps prevent orderly development of our coal reserve. We will briefly restate the intended sequence of events.

Orderly development plans for the western and central portions of the reserve, include the preparation plant and the existing mines (No. 3 and No. 5). When the Crandall Canyon facilities are completed, surface facilities at the No. 3 and No. 5 Mines will be phased out and the personnel and equipment will then be based at Crandall.

Robinson Gulch facilities would include a small change house and a truck loadout. Coal would be hauled by truck to the Castle Gate preparation plant. These facilities would be used to mine the 'B' and 'A' Seams of coal on the western end of the reserves. Since this mining is a considerable distance from the Crandall Canyon fans, ventilation shafts will be required at Robinson Gulch and Rains Canyon. The Price Canyon shafts and slope will provide needed ventilation and an alternate conveyor haulage route to the Castle Gate preparation plant.

Plans for the eastern portion of the reserves contemplate refurbishing and using portions of the existing portals and entries of the Castle Gate No. 2 Mine, which is currently kept ventilated by a fan located in Willow Creek Canyon. This entails the use of the Willow Creek site for surface facilities (change house, warehouse, offices, etc.) and belt haulage to the Castle Gate preparation plant.

Concurrently with the opening of the Castle Gate portal, the Panther Canyon and Cordingly Canyon and Deadman Canyon, portals could be opened and the coal trucked to the Castle Gate preparation plant. The Dry Canyon and Mathis Canyon shafts and the Kenilworth tunnels would be used for ventilation with a minor amount of coal trucked from the Kenilworth tunnels to expedite ventilation connections to the Castle Gate portals.

It should be pointed out that the Mathis Canyon shafts are shown on property not now owned by PRCC. If negotiation for this property does not materialize, the underground plans could easily be changed to go around it. Since it appears to

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be in the best interest of all concerned that PRCC obtain and mine this coal, it has been shown that a ventilation shaft should be constructed in this location to preclude a major modification to the mining plan when the property is acquired.

II. THE RELATIONSHIP OF OBTAINING FINANCING TO A LONG-TERM PERMIT PERIOD

There are two aspects from which the relationship of obtaining financing to a long-term permit period should be viewed.

1. Financing obtained and committed prior to the requirement for a SMCR permit based on the intended long-term nature of the operation.

During the period 1971 through 1974, McCulloch Oil Company purchased several operating small mines, a few mines which had suspended operations, some abandoned mines, and large tonnages of raw coal reserves. This was done with a view of putting them all together in one mining operation to mine and sell coal on the commercial market.

In 1975, it became apparent to McCulloch that they were unable to finance such a venture alone. They were able to interest American Electric Power (a large holding company with power plants in seven midwestern states) in signing a long-term contract to purchase coal, with McCulloch to furnish management and operations (through the McCulloch-owned subsidiary Braztah Corporation). AEP signed the agreement to procure low-sulphur coal for blending with the high-sulphur coals in the midwest and thus meet the clean air standards at that time.

Subsequent to the above events, AEP financed a diamond drilling program, and constructed a cleaning plant on the property. In 1976-1977, AEP purchased the reserves from McCulloch and took over the management and operation of the property in December, 1979; creating Price River Coal as the operator.

Planning for the operation has always envisioned approximately 7,000,000 raw tons annual production. The original plan was to use the total tonnage for blending - however, due to the change in laws (i.e. scrubbers), it is no longer feasible to use this amount in the AEP system, and it is now contemplated that some 2,000,000 tons will be consumed within the system and the remainder will be sold on the commercial market.

With the foregoing historical background in mind, the following outline of events is presented:

A. Various properties acquired and placed into a single operating unit:

- 1) Operating mines
- 2) Mines which had suspended operations
- 3) Abandoned mines
- 4) Inplace, undeveloped reserves

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- B. Diamond drilling program to delineate reserves.
- C. Conceptual plan for entire reserve
- D. Constraints on conceptual plan:
 - (1) Geological
 - (2) Multi-seam operation
 - (3) Past mining
 - (4) Ventilation
 - (a) Velocity
 - (b) Mine resistance
 - (c) Power costs
 - (5) Transportation
 - (a) Coal
 - (b) Men and materials
 - (c) Time and productivity
 - (6) Government rules and regulations
- E. Finalized general plan submitted in accordance with the above, and approved by the U.S.G.S. as the "211" Mining and Reclamation Plan. This plan showing conceptual mining layout for the life of the mine, was approved subject to certain stipulations - submit subsidence plan, ground water monitoring, etc., and that future shaft and surface installations were not approved, but would only be approved on a site specific basis.
- F. Preparation plant constructed to serve life of mine:
 - (1) Removes top rock contaminating coal due to longwall method of mining.
 - (2) Raises BTU content of product
 - (3) Lowers transportation costs.
- G. Crandall Canyon shafts and surface facility for the life of the mine was approved and construction commenced.
- H. Detailed sectional plans, within the above framework, prepared and used for actual mining.

Capital expenditure to date on the property is approximately \$232,000,000.

As can be seen, a significant investment has already been made on this property. Price River Coal Company's source of financing has committed some \$230,000,000 over a ten-year period. The availability of these funds was based on the intended long-term operation. In effect, the action required in UMC 786.25(a)(2) took place prior to the existence of the regulation.

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2. Financing yet to be obtained - an additional \$160,000,000 will be needed to open operations on the east side (Willow Creek No. 6 and No. 6A Mines). Obtaining the required capital will necessitate a strong assurance by Price River Coal Company that the same long-term mining plans can be carried through.

The following discussion demonstrates the unreasonability of a five-year permit period.

Regulation UMC 786.25 Permit Terms (a)(2) while being very explicit has not addressed the problems encountered in the logistics of this type of situation. In any financial program of this magnitude the final step to be taken will be to have the lending institution sign on the dotted line. This, of course, will occur only after extensive investigation and satisfaction reached that all licensing and permitting has occurred. With this in mind we have attached three exhibits identified as Alternative A, B and C respectively.

Alternative A - This alternative details the cost of production and net income (loss) based on an assumed selling price of \$32/ton. As can be seen, there is a clear and inverse relationship between the level of production and cost per ton. In the situation we are displaying, we have assumed that the incremental capital cost of financing this project is to be financed by means of a lease arrangement with a lending institution. As can clearly be seen, the cost of production does not reach a level low enough to create a net income based on the assumed selling price per ton. As can be seen, the cost of production reacts inversely to production but at maximum capacity, the cost has not yet reached break-even.

Obviously this is not an acceptable alternative for financing this type of project. By the time maximum or optimum production is achieved a period exceeding 10 years has expired.

It should be kept in mind that in excess of \$230,000,000 has already been advanced by American Electric Power as financing of this ongoing project which has been in a development state for 10 years. This in conjunction with the time table set forth in Alternative A, clearly indicates a period approaching 20 years with no profitability.

Alternative B - This alternative while identical to Alternative A in all other concepts is different in the assumption used for the additional capital investment financing. Alternative B assumes a 30-year payback on all incremental capital investments. Using a 30-year payback (to a lending institution) would yield a net profit in year six. This combined with the 10 years the project has been in existence would indicate approximately 16 years of development until a profit is realized.

Alternative C - This alternative while identical to Alternatives A and B in all other concepts, assumes a five-year payback assuming a five-year mining permit would encourage a lending institution to loan the

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required capital investment only on the premise payback occurs within five years. As can clearly be seen, this alternative does not achieve break-even level. The ten years detailed on Alternative C combined with the ten years previously developed would indicate no profit would be realized after twenty years, far in excess of the years that a five-year mining permit would allow.

CONCLUSION

The foregoing discussions have attempted to show that the issuance of a life of mine permit is reasonable and possible within the constraints of UMC 786.25, et al. A long-term permit will also be a practical solution to the problems that would arise with the issuance of a five-year permit, i.e., difficulty or impossibility to obtain financing and inability on the part of Price River Coal Company to proceed with orderly (therefore cost effective) development.

The mine plan would require some updating. A five-year period might be a workable time block for re-evaluation by both the mine operator and the regulatory agency. Certain programs will need to be expanded as development progresses such as ground and surface water monitoring. Specific information on construction and operation of the other surface facilities will need to be amended to the permit. The long-term life of mine permit should eliminate confusion about Price River Coal Company's intent and long-term mine plans.

We have legal rights to a large coal reserve. We have a complete plan to obtain the best possible extraction ratio. We feel that the need for coal will increase and over the next 80 years we will provide 250,000,000 tons of it.

Very truly yours,

PRICE RIVER COAL COMPANY



R. L. Wiley
Environmental Engineer

RLW:jp

Attachments