



State of Utah
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DIVISION OF OIL, GAS AND MINING

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September 3, 1997

TO: File

THRU: Daron Haddock, Permit Supervisor

FROM: Paul Baker, Reclamation Biologist

RE: Changes to Chapter 1, U. S. Fuel Company, Hiawatha Complex, ACT/007/011, -97B
Folder #2, Carbon County, Utah

SUMMARY:

As part of the response to Division Order 97A, U. S. Fuel changed some parts of Chapter 1 of their mining and reclamation plan. Only one of the changes, an indication that the mines are idle rather than in production, was required in the Division Order. The rest of the changes are updates of addresses and telephone numbers, new violation information, an update to the table showing MSHA numbers, and a few changes in ownership and control.

Ownership and control information was updated and changed with amendment 97B, a proposal to designate Hiawatha Coal Company as the operator of the mines. This information was checked through AVS as documented in an August 26, 1997, memorandum by Pamela Grubaugh-Littig.

Because the changes are minor, a full technical analysis was not performed. The amendment contains only informational changes, and the application is considered adequate to meet the requirements of the general contents section of the regulations.

RECOMMENDATIONS:

The revisions to Chapter 1 submitted with the response to Division Order 97A should be approved, but the first few pages need to be replaced by the pages in amendment 97B.

BLM publishes delayed rules

The Bureau of Land Management last week issued a long-awaited set of rules that promise to clear a backlog of Logical Mining Unit applications.

The final rules, published Aug. 20 in the *Federal Register*, tighten the criteria for companies to qualify for LMUs. By seeking an LMU designation, companies, for example, have been able to lease new federal reserves and combine them with federal reserves already under lease, thus extending the due-diligence development deadline for the pre-existing reserves. The new rules are effective Sept. 19.

Among other things, the new rules:

- Limit inclusion of pre-existing leases in an LMU unless commercial production has happened in the first eight years of the 10-year due diligence period for those existing reserves.

- The definition of "producing" for purposes of due-diligence has been tightened. That includes new restrictions on the granting of temporary suspensions of the due-diligence clock due to factors out of the control of coal producers, like equipment breakdowns.

Most industry officials say the proposed rules would restrict their flexibility to mine reserves as the coal market dictates.

While BLM has waited for the final rules to be out, a number of LMU applications have languished. Now BLM will be able to act on them.

Hiawatha Coal takes over at Hiawatha

Hiawatha Coal plans in the next couple of years to re-open the Hiawatha mine in Utah following a recent agreement to lease the property from ANR Company Inc.

Hiawatha's president is Elliot Finley, who last week told *Coal Outlook* that he used to work for Co-op Mining, which has a neighboring operation. But contrary to rumors none of the Co-op principals are involved in Hiawatha Coal, he added. Finley's background is in computers, and the work he did for Hiawatha mostly was in automation of Co-op's equipment.

ANR Company is buying the Hiawatha reserves from Arava Natural Resources (CO 8/11). Finley said the person he worked with at ANR is David Kingston. A local family named Kingston is behind Co-op.

Finley is considering whether to hire a mine contractor or hire mining expertise in-house but is leaning toward the latter. Operations probably wouldn't start for a couple of years, he added. Hiawatha Coal can be reached at 801-637-1778.

Northland looks at No. 14 mine

Northland Resources is looking at its options for mining a coal reserve that had been part of Island Creek Coal's old No. 14 mine near Delbarton in Mingo County, W.Va.

This is a reserve in the Cedar Grove seam that Northland had gotten years ago from Island Creek. Among the options Northland is looking at is moving coal produced on this property via belt line to its nearby Delbarton prep plant. A Northland official said though that any mining on this reserve may await improvement in coal market prices.

and BNSF railroads each gave [redacted] for moving the short-term coal. This would be BNSF's first haul to Valmy since it got trackage rights to the plant as part of the UP-Southern Pacific merger. BNSF would be delivering coal that originates on **Utah Railway**.

Meanwhile, the Valmy partners still find it economical to buy out most of the tons under **Black Butte Coal's** long-term contract. A buy-out deal in mid-1996 drastically reduced deliveries to North Valmy through June 1997 (CO 8/12/96). They bought out most of the tons that were to have been delivered in July and August while evaluating options for a permanent end to the onerous contract (CO 8/5/96).

WHEELING PITT: Still no sales of any portion of that 500,000+-ton stockpile of coke sitting at **Wheeling Pittsburgh Steel's** Follansbee, W. Va., coke plant, an official reports. Wheeling Pitt once again is producing steel after the **United Steelworkers** approved a new contract, ending a strike that began last Oct. 1 (CO 8/11).

Utilities see service woes on UP... (From p.1)

San Antonio Public Service and Central Power & Light "are screaming for coal," said one industry executive. San Antonio officials were not available. An official with CP&L's parent, **Central & South West Services**, acknowledged there were problems but declined to be specific.

While there has been some improvement in recent weeks, the cycle times are still significantly above normal, according to a fuels official at **Lower Colorado River Authority**.

"The problems are primarily centered in south Texas, around the Houston area," said UP Public Affairs Director John Bromley. "It has been a pretty severe service problem, and it has affected other parts of the system."

Bromley explained that the railroad has not yet merged the **Southern Pacific** with the UP in that area. "They are still separate entities," he said. "We just merged the Cotton Belt Line earlier this summer. We have to combine computer systems, and we have to have labor agreements in place. We just got the Houston Hub labor agreement the other day, so we can start to implement that."

New labor agreements in works

The implementation of new labor agreements will fix the problem for the long term, Bromley predicted. "It will take several weeks to work back up to acceptable service levels," he said. "We're just asking our customers to be patient."

Bromley said UP has established a command post in Houston to monitor activities, has sent extra locomotives to the area and is hiring 200 to 300 new crew members. "Of course, it will take a while before the new employees can function effectively," he said.

Bromley said the labor agreements had been an issue for most of the summer but were exacerbated by other events, such as bad weather. "We had a hurricane down there just a few weeks ago," he said. "We already were dealing with a severe SP crew shortage."

Most troubles start in Texas

"The issues in Texas have had a ripple effect across the system and affected cycle times elsewhere," he said. "When the equipment is not at the places where it is needed, you get trains backing up, then you start having power problems, then crew problems, and the whole thing feeds on itself. That's what has happened to us."

Adding to UP's crew problems, **Burlington Northern Santa Fe Railroad**—looking to hire train operators in and near Grand Junction, Colo.—offered a \$20,000 signing bonus and spirited away some 40 UP/SP employees, a coal executive said. BNSF is beefing up operations to take advantage of trackage rights which UP granted over its lines in return for BNSF's support of the UP/SP merger last year (CO 8/11). A BNSF official was not available for comment.