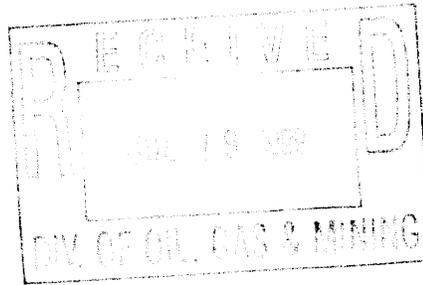


July 19, 1999

**EarthFax**

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Ms. Pamela Grubaugh-Littig
Utah Coal Regulatory Program
Utah Division of Oil, Gas and Mining
1584 West North Temple
Salt Lake City, Utah 84114-5801



RE: Updated Phase II Reclamation Bond Release Package Transmittal

Dear Pam:

EarthFax Engineering, Inc. (EarthFax) has been requested by UtahAmerican Energy, Inc. to submit an updated package of the information necessary to apply for Phase II Reclamation Bond release for the Horse Canyon Mine, Carbon County, Utah. The information includes the following items:

- Horse Canyon Reference Area and Revegetation Areas Vegetation Study (JBR, October 1996),
- Sediment Production Evaluation of Reclaimed Area of the Horse Canyon Mine (EarthFax Engineering, Inc., December 1997),
- Phase II Reclamation Bond Release Table, and
- Phase II Reclamation Bond Release Maps.
- C1 and C2 forms for the updating of the permit document.

These items have been included with this letter as attachments.

Essentially, the results of the JBR vegetation report (Attachment A) indicate that vegetation has been re-established in the reclaimed areas at a density and diversity that will allow UtahAmerican Energy to apply for Phase II release. Additionally, the vegetation density findings in the JBR report were used in the calculation of the volume of sediment contributed to runoff from both disturbed and undisturbed areas of the Horse Canyon Mine.

EarthFax calculated the sediment contribution to runoff of disturbed and revegetated areas versus undisturbed areas using the Civil Software Design SEDCAD + Program, Version 3 (1992). It was found that sediment loading calculated for drainages under reclaimed conditions are substantially lower than the sediment loading for drainages in premining (undisturbed) condition. The results of the SEDCAD + evaluation are included with this letter as Attachment B.

Based on JBR's vegetation report and EarthFax's sediment production calculations, Phase II Bond Release for the reclaimed areas of Horse Canyon Mine are requested from the Division. The amount requested for release is \$280,164. This amount represents approximately 14.3% of the original bond amount. A table listing the amounts of the bond

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received, applied for, and remaining is included as Attachment C. The amount of the requested release is based on the following items:

- Revegetation of the reclaimed areas has been successful during the first five years of the bond. This includes 51.56 acres of the 74.26 acres of the disturbed area within the permit boundaries. The areas remaining to be reclaimed are the facilities area, the south main portals and manway, the powder magazine, and the water tank, a total of 15.7 acres. A maximum of an additional 7 acres may be disturbed in the extended borrow area during final reclamation.
- Since the life of the bond is at five years, or half of the anticipated bonding period, a portion of the maintenance cost should be released. An amount of \$38,625 is requested for maintenance completed to date. This amount was determined by first subtracting 30% from the total maintenance cost of the bond then multiplying the remainder by 0.5. The 30% represents the percentage of the area remaining to be reclaimed including the maximum area that may be disturbed by expansion of the borrow area. The remainder was multiplied by 0.5 since 5 of the 10 years of the bond life have passed. Therefore:

$$\begin{aligned} & \$110,356 \text{ (original maintenance cost)} \\ & 30\% \text{ (Maximum area to be reclaimed } 22.70 \text{ AC } \div 74.26 \text{ AC} = 30\% \\ & \quad \$110,356 \times 0.30 = \$33,107) \\ & 0.5 \text{ (Life of bond remaining } 5 \text{ yr } \div 10 \text{ yr} = 0.5) \\ \\ & \$110,356 - \$33,107 = \$77,249 \\ & \$77,249 \times 0.5 = \underline{\$38,625} \end{aligned}$$

- The amount remaining in the bond for sediment control will not be applied for at this time since some sediment controls, such as Sediment Pond #2, will remain in-place until final reclamation of the facilities area.
- An amount of \$46,694 is requested to be released from the contingency portion of the bond. The original contingency amount was \$325,000. The amount requested equals 20% of the total of completed reclamation phase costs.
- Remaining in the bond are the costs associated with demolition, earthwork, and revegetation necessary to reclaim the south main portals and manway, the facilities area, the powder magazine area, the water tank, Sediment Pond #2,

Ms. Pamela Grubaugh-Littig
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Phase II Reclamation Bond Release
Horse Canyon Mine

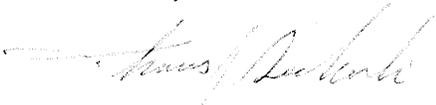
the expanded borrow area, more than 50% of the maintenance cost, approximately 44% of the contingency costs, and all of the monitoring costs.

Also, included with this letter are maps illustrating which portions of the disturbed area are included in this Phase II Reclamation Bond release request (See Attachment D). Again, it is important to note that the extended borrow area has not yet been disturbed nor is it known if the entire area within the extended borrow area will be disturbed during final reclamation.

Attachment E presents the C1 and C2 forms of the permit update to address the updating of the permit document.

If you have any questions regarding this information, please give me a call.

Sincerely,



Thomas J. Suchoski

Attachments

- ATTACHMENT A INTERMOUNTAIN POWER AGENCY HORSE CANYON REFERENCE AREA AND REVEGETATION AREAS VEGETATION STUDY, JBR ENVIRONMENTAL CONSULTANTS, INC
- ATTACHMENT B SEDIMENT PRODUCTION EVALUATION OF RECLAIMED AREA OF THE HORSE CANYON MINE, EARTHFAX ENGINEERING, INC.
- ATTACHMENT C PHASE II RECLAMATION BOND RELEASE TABLE
- ATTACHMENT D PHASE II RECLAMATION BOND RELEASE MAPS
- ATTACHMENT E C1 AND C2 FORMS