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United States Department of the Interior

MAR 06 2000

BUREAU OF LAND MANAGEMENT

Price Field Office
125 South 600 West
Price, Utah 84501

DIVISION OF
OIL, GAS AND MINING

CERTIFIED MAIL - RETURN RECEIPT REQUESTED
Certified No. Z 182 430 776

Mr. Hershiel H. Hayden
President
UtahAmerican Energy, Inc.
Number 139
30799 Pinetree Road
Pepper Pike, Ohio 44124

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(UT-070)
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Re: Resource Recovery and Protection Plan (R2P2) Lila Canyon Mine, UtahAmerican Energy, Inc. (UAE), December 1998 (Revised January 24, 2000)

Dear Mr. Hayden:

The Bureau of Land Management (BLM) received UAE's revised R2P2 for the Lila Canyon Mine. This letter is to notify you that the Bureau of Land Management (BLM) has completed our review of UAE's revised R2P2 regarding the Lila Canyon Mine. The purpose of our review is to determine compliance with The Mineral Leasing Act of 1920, as amended; the regulations at 43CFR 3480; the lease terms and conditions and to ensure that maximum economic recovery (MER) will be achieved.

The Lila Canyon Mine Plan (R2P2) is a pre-operations mine plan. Therefore, detailed information on operations at the Lila Canyon Mine are preliminary in scope, and particulars of how the mine would operate are initiatory or projected. Certain items and information (i.e., equipment specifications, roof-control and ventilation plan, mining economics, etc.) will have to be submitted at the time operations commence. All relevant mining or mining-related items that are required to be included in the Resource Recovery and Protection Plan and that are not available at the present will be submitted within ninety (90) days of commencement of underground coal production. Our determination of the subject R2P2 is as follows:

- ◆ The following updated detailed mining methods will be submitted at time of commencement of underground coal operations.

This section shall include, in addition to your schedule of anticipated rates of mine production, a complete detailed description of the mining method(s) to be employed throughout the life of the operation, including schedules of projected mine development utilizing maps, cross-sections, diagrams, etc. This should include details related to such items as estimated number, size, depth, and location of adits, shafts, and ventilation schemes and openings; room-and-pillar layouts, longwall panel layouts and/or combination layouts; information on whether the entire thickness of the commodity is to be mined or whether part is to be left for floor or roof support; recovery factors; transportation, haulage, and handling systems (flow diagram); type(s) of ground support; explosives--types(s) and methods of use; types, size, specifications and scheduling of production equipment; mine

dewatering plans and equipment; mine power and utility systems; distribution system; and schedules of personnel requirements, including skill breakdown. List all basic mining equipment and provide manufacturer's specifications.

- ◆ The explanation of how MER of the Federal coal is achieved will be updated at commencement of operations. UAE will supply all the data requested below to ensure that the requirements of MER are achieved. If a coalbed or portion thereof is not to be mined or is to be rendered unminable by the operation, the operator/lessee shall submit appropriate justification. The 43 CFR 3482.2(a)(2) states, No resource recovery and protection plan or modification thereto shall be approved which is not found to achieve MER of the Federal coal. The determination of MER shall be made by the authorized officer based on the review of the R2P2. MER is defined within 43 CFR as meaning, based on standard industry operating practices, all profitable portions of a leased Federal coal deposit must be mined.

At the time of MER determinations, consideration will be given to: existing proven technology; commercially available and economically feasible equipment; coal quality, quantity, and marketability; safety, exploration, operating, processing and transportation costs; and compliance with applicable laws and regulations. The requirements of MER does not restrict the authority of the authorized officer to ensure the conservation of the recoverable coal reserves and other resources and to prevent the wasting of coal. This discussion should include all data and information for elimination any portions of the Sunnyside seam due to marketability, overburden, faulting and/or sulfur content issues. To ensure that adequate data is available for the MER determination, the following is required:

- 1) Mining Costs. A description of the cost for all mining equipment, associated equipment, personnel costs, ancillary equipment costs, production costs, overhead and other cost provisions.
 - 2) Production Costs. Statement as to production costs or projected production costs.
 - 3) Other requirements (contracts, etc.) or costs that have a direct or indirect influence on MER.
 - 4) Recovery Factors (longwall, room and pillar and development).
- ◆ Upon submittal to MSHA, submit approved roof-control plan and ventilation plan for the Lila Canyon Mine.

Based upon the above-stated requirements, BLM determination is conditioned with the following stipulation:

Stipulation: UAE shall submit the following information (as requested above):

- A mine plan that details mining methods will be submitted at time of commencement of operations.
- The explanation of how MER of the Federal coal is achieved will be updated at commencement of operations.
- Submit approved roof-control plan, ventilation plan and manufacturer's specs for basic mining equipment

This information will be submitted to the BLM for approval within ninety (90) days of commencement of underground coal production.

BLM has determined that the information contained in the R2P2 for the Lila Canyon Mine with stipulations, does comply with the Mineral Leasing Act of 1920, as amended, the regulations at 43 CFR 3480 and the lease terms and stipulations. Thus, approval for the Lila Canyon Mine's R2P2 is granted. If you have any questions, please contact George Tetreault at the Price Field Office at (435) 636-3604.

Sincerely,



Richard L. Manus
Field Manager

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