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Incoming 007/013

CC: PAm

**UtahAmerican
Energy, Inc.**

UtahAmerican Energy, Inc.
Box 187
St. Clairsville, OH 43950

Phone: 740-926-1351
FAX: 740-926-1615
email: CBorrell@CoalSource.com

Tuesday, August 22, 2000

RECEIVED

AUG 28 2000

DIVISION OF
OIL, GAS AND MINING

Ms. Pamela Grubaugh-Littig
Mined Land Reclamation Program
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, UT 84114-5801

Dear Pam:

I enjoyed talking to you yesterday about developments at UtahAmerican Energy, Inc. ("UEI"), several of which are outlined below.

First, as you know, the Intermountain Power Agency ("IPA") had been marketing their position regarding their fee and federal coal lands near Price, Utah, which UEI had been leasing (subleasing) for the last couple years. Several parties, including UEI, expressed interest in IPA's position, and on July 31, 2000, UEI put into escrow the full purchase price for the purchase of IPA's position. IPA will receive the funds as soon as UEI is approved by the Department of Justice to take control of the federal leases. This is not going to be a problem, since neither UEI, nor any of its affiliates, control any federal coal. We are already working on making changes to our Permit Application Package, as well as the Horse Canyon MRP, to reflect the ownership change once the transfer of the federal leases is official.

Secondly, now that we know who our new landlord is, namely ourselves, we can schedule the reclamation we had originally planned on completing this year. As it stands right now, we plan on removing the culverts and sedimentation pond at Horse Canyon next spring. The silt fences that also need to be removed are being removed today. It is my understanding that the bridge abutment that was originally thought to be part of Horse Canyon actually is owned by the County so it will remain.

I just spoke with Mel Coonrod of Environmental Industrial Services down in Price. As you know, Mel is assisting in responding to the concerns outlined in Daron R. Haddock's letter of June 29, 2000 (attached). Mel feels he will have all his work completed within the next week or two, well in advance of the September 26, 2000 deadline mentioned in Daron's letter.

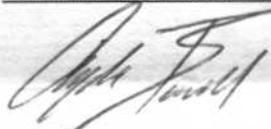
Ms. Pamela Grubaugh-Littig
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I know that you cannot give an exact date, but assuming that our responses are adequate, can you give us any idea when the MRP might be issued? I remember you mentioning that sometime in the 4th quarter of 2000 was a realistic date the last time we met personally. Is this still a possibility? As I've mentioned in the past, it is very difficult to market our coal without a mine, not to mention without even a permit to mine. With the unfortunate incident at Willow Creek, there is a window of opportunity for us to try and develop a market that, prior to the accident, was unavailable. Certainly the people of Price would like to see Lila Canyon become a reality since there is a real possibility that Willow Creek will never reopen. Anyway, the sooner we get an MRP the better it will be for our marketing people.

Last, but certainly not least, our Environmental Assessment has completed the public comment period, and the Bureau of Land Management is preparing their findings. Unless their recommendation is for a full Environmental Impact Statement I'm sure that their finding will be appealed by at least one environmental group. Assuming that the appeal is not successful, I would anticipate the right-of-way being issued sometime in the 4th quarter of 2000. If we have an approved right-of-way and an approved MRP, I know a couple of people that are going to be very busy come the first part of 2001. Happy New Year!

Again, thanks for your help, and I look forward to working with you and the rest of the people at DOGM in the future.

Sincerely,
UTAHAMERICAN ENERGY, INC.



Clyde Borrell, PE
Vice President

CC: Daron Haddock
David W. Darby



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

June 29, 2000

Melvin Coonrod, Resident Agent
UtahAmerican Energy, Inc
Environmental Industrial Service.
31 North Main Street
Helper, Utah 84501

Re: Review of the March 10, 2000 Submittal for the Lila Canyon Significant Revision,
UtahAmerican Energy, Inc., Horse Canyon Mine, ACT/007/013-SR98(1)-4, Outgoing File

Dear Mr. Coonrod:

The Division has completed our review of the March 10, 2000 submittal to permit the Lila Canyon Tract as part of the Horse Canyon Mine. A TA (Technical Analysis) of your application is enclosed.

Please review the TA carefully to be certain that you understand the Divisions concerns. The deficiencies will need to be adequately addressed before your application can be approved. In responding, please use the redline, strike-out editing method to identify additions and deletions to the previous submittal.

Please submit your response by September 26, 2000 or the Division will return your application. If you have any questions, or would like to set up a meeting to discuss the deficiencies, please feel free to call me, or Dave Darby at (801) 538-5341

Sincerely,

Daron R. Haddock
Permit Supervisor

dwd/sm

Enclosure:

cc: Clyde Borrell, VP, UtahAmerican Energy, Inc.
Joe Wilcox, BLM
Price Field Office

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