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

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October 16, 2000

Melvin Coonrod, Resident Agent
Environmental Industrial Services
31 North Main Street
Helper, Utah 84526

Re: Findings for Change in Lease Ownership, UtahAmerican Energy Inc., Horse Canyon Mine, ACT/007/013-LF00B, Outgoing File

Dear Mr. Coonrod:

The above-referenced amendment has been reviewed and there are deficiencies that must be adequately addressed prior to approval. A copy of our technical analysis is enclosed for your information. Please respond to these deficiencies by November 30, 2000 or the Division will return your application.

If you have any questions, please feel free to call me at (801) 538-5258 or Paul Baker at (801) 538-5261.

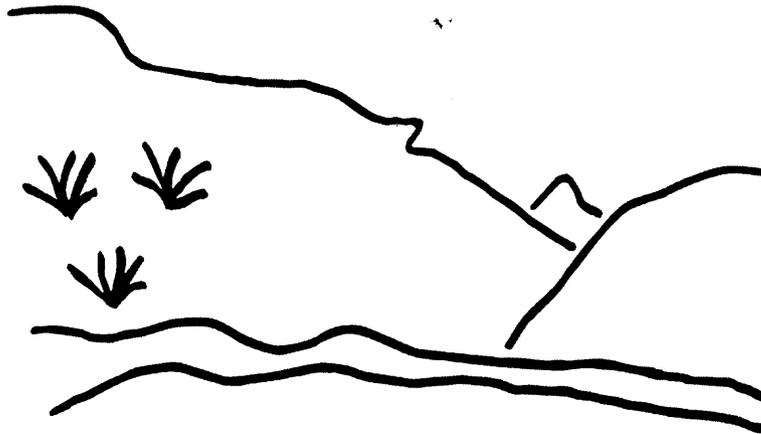
Sincerely,

A handwritten signature in cursive script that reads "Susan M. White".

Susan M. White
Acting Permit Supervisor

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Enclosure:
cc: Price Field Office
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State of Utah



Utah Oil Gas and Mining

Coal Regulatory Program

Horse Canyon Mine
Change in Lease Ownership
ACT/007/013-LF00B
Technical Analysis
October 10, 2000

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INTRODUCTION

UtahAmerican is proposing to update ownership and control information for the Horse Canyon Mine. UtahAmerican has purchased the coal federal leases and other rights from the Intermountain Power Agency (IPA) and no longer subleases these areas. The Division received the proposal September 25, 2000.

INTRODUCTION

SUMMARY OF OUTSTANDING DEFICIENCIES

SUMMARY OF OUTSTANDING DEFICIENCIES

The Technical Analysis regarding the proposed permit changes is not complete at this time, pending submittal of additional information by the Permittee and further review by the Division, to address outstanding deficiencies in the proposal. A summary of those outstanding deficiencies is provided below. Additional comments, concerns, and deficiencies may also be found within the analysis and findings made in the Draft Technical Analysis which have not been presented in this summary. Upon finalization of this review, any outstanding deficiencies will be evaluated for compliance with the regulatory requirements. Such deficiencies may be conditioned to the requirements of the permit issued by the Division, result in denial of the proposed permit changes, or may result in other executive or enforcement actions as deemed necessary by the Division at that time to achieve compliance with the Utah Coal Regulatory Program.

Accordingly, the permittee must address those deficiencies as found within this Draft Technical Analysis and provide the following, prior to approval, in accordance with the requirements of:

- R645-300-133.100, The legal description in Appendix 1-2 does not correspond with the information on Plates I-1 and I-2. This discrepancy needs to be corrected. 6
- R645-301-112.500, The land ownership information on Plates I-1 and I-2 needs to correspond with information in the text. 6
- R645-301-114, The application should be updated to indicate the BLM has approved the lease transfers from IPA to UtahAmerican. Also, information currently in the plan about UtahAmerican subleasing the leases from IPA should be deleted. 6
- R645-301-121.100, The applicant needs to update the plan to clearly show the current state of lease and land ownership. 6

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ACT/007/013-LF00B

Revised: October 10, 2000

SUMMARY OF OUTSTANDING DEFICIENCIES

ADMINISTRATIVE INFORMATION

ADMINISTRATIVE INFORMATION**OWNERSHIP AND CONTROL INFORMATION**

Regulatory Reference: R645-301-112

Analysis:

In July 2000, UtahAmerican Energy, Inc., purchased all of Intermountain Power Agency's holdings associated with the Horse Canyon Mine. The application includes updated land ownership information to reflect these changes.

The existing mining and reclamation plan contains ownership and control information for UtahAmerican, including its officers and directors and information about affiliated companies and their coal mining and reclamation operations.

The applicant needs to further update the plan to clearly show the current state of lease and land ownership. In the "General Information" section on page I-8, the application says, "UtahAmerican has subleased the Federal Coal Leases from Intermountain Power Agency." The verb tense of this sentence implies UtahAmerican is still subleasing the federal coal leases from IPA even though the next sentence says UtahAmerican purchased all rights and fee properties from IPA. As discussed below, this same problem is in the right of entry section of the application.

The surface ownership map, Plate I-1, needs to be updated. According to this plate, George K. Porter owns surface land both within and contiguous to the permit area. This information is not consistent with the text of the application or with Plate 4-1 of the Lila Canyon Tract application. The text of the application and Plate 4-1 of the Lila Canyon Tract application show Robert Pepper as owning surface land in the permit area, but this is not shown on Plate I-1. Plates I-1 and 4-1 show different areas of land being owned by Josiah Eardley. Also, the legends for Plates I-1 and I-2 indicate Kaiser Coal Corporation and Kaiser Steel Corporation own surface or subsurface rights in and contiguous to the permit area, and this is apparently outdated.

Appendix 1-2 of the application contains a legal description of the "Permitted Area." This section shows surface and coal ownership information for each area. The legal description in this appendix does not match the information on Plates I-1 and I-2, and this discrepancy should be corrected.

Findings:

Information in the proposal is not adequate to meet the requirements of this section of the regulations. Prior to final approval, the applicant must supply the following information in accordance with:

R645-301-121.100, The applicant needs to update the plan to clearly show the current state of lease and land ownership.

R645-301-112.500, The land ownership information on Plates I-1 and I-2 needs to correspond with information in the text.

R645-300-133.100, The legal description in Appendix 1-2 does not correspond with the information on Plates I-1 and I-2. This discrepancy needs to be corrected.

RIGHT OF ENTRY INFORMATION

Regulatory Reference: R645-301-114

Analysis:

The application says UtahAmerican Energy purchased IPA's interest in the federal leases in July 2000 and that the Bureau of Land Management (BLM) is assigning all rights directly to UtahAmerican Energy. On September 11, 2000, the Division received a letter from the BLM with copies of assignments from IPA to UtahAmerican of six federal leases. A portion of only one of these, SL-066145, is in the permit area. The statement in the application that the BLM is assigning all rights directly to UtahAmerican should be updated to indicate this has been done.

The mining and reclamation plan says UtahAmerican has entered into a lease and sublease with IPA, and copies of portions of the agreement are in the plan. This information should be removed. The application should simply indicate that UtahAmerican has acquired the federal coal leases from IPA and that the transfers have been approved by the BLM.

Findings:

Information in the proposal is not adequate to meet the requirements of this section of the regulations. Prior to final approval, the applicant must supply the following information in accordance with:

R645-301-114, The application should be updated to indicate the BLM has approved the lease transfers from IPA to UtahAmerican. Also, information currently in the plan about UtahAmerican subleasing the leases from IPA should be deleted.