

Snell & WilmerL.L.P.
LAW OFFICES15 West South Temple, Suite 1200
Gateway Tower West
Salt Lake City, Utah 84101
(801) 257-1900
Fax: (801) 257-1800
www.swlaw.comDenise A. Dragoo (801) 257-1998
ddragoo@swlaw.com

February 17, 2006

HAND DELIVERED

SALT LAKE CITY, UTAH

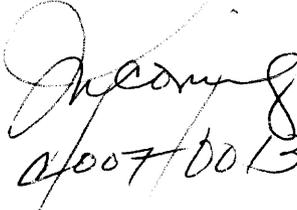
PHOENIX, ARIZONA

TUCSON, ARIZONA

IRVINE, CALIFORNIA

DENVER, COLORADO

LAS VEGAS, NEVADA

Pamela Grubaugh-Littig
Permit Supervisor
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801
2/17/06**RE: Lila Canyon Mine Extension, ACT/007/013**

Dear Ms. Grubaugh-Littig:

Enclosed on behalf of UtahAmerican Energy, Inc. ("UEI"), are revisions to Chapter 7 of the pending permit application. Also enclosed are the C1, C2 forms, three (3) copies of redline strikeout and five (5) copies of the revised text.

Please contact Jay Marshall or me if you have any questions.

Very truly yours,



Denise A. Dragoo

DAD:jmc:384734

Enclosures

cc: Mary Ann Wright (without enclosures)
Steve Alder, Esq. (without enclosures)**RECEIVED****FEB 17 2006**

DIV. OF OIL, GAS & MINING

APPLICATION FOR COAL PERMIT PROCESSING

Permit Change New Permit Renewal Exploration Bond Release Transfer

Permittee: UtahAmerican Energy Inc.

Mine: Horse Canyon Part "B"

Permit Number: ACT/007/013

Title: 06-008

Description, Include reason for application and timing required to implement:

Additional Information

Instructions: If you answer yes to any of the first eight (gray) questions, this application may require Public Notice publication.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Change in the size of the Permit Area? Acres: _____ Disturbed Area: _____ <input type="checkbox"/> increase <input type="checkbox"/> decrease. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. Is the application submitted as a result of a Division Order? DO# _____ |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. Does the application include operations outside a previously identified Cumulative Hydrologic Impact Area? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. Does the application include operations in hydrologic basins other than as currently approved? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. Does the application result from cancellation, reduction or increase of insurance or reclamation bond? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. Does the application require or include public notice publication? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. Does the application require or include ownership, control, right-of-entry, or compliance information? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. Is proposed activity within 100 feet of a public road or cemetery or 300 feet of an occupied dwelling? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. Is the application submitted as a result of a Violation? NOV # _____ |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 10. Is the application submitted as a result of other laws or regulations or policies?
<i>Explain:</i> _____ |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 11. Does the application affect the surface landowner or change the post mining land use? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 12. Does the application require or include underground design or mine sequence and timing? (Modification of R2P2) |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 13. Does the application require or include collection and reporting of any baseline information? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 14. Could the application have any effect on wildlife or vegetation outside the current disturbed area? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 15. Does the application require or include soil removal, storage or placement? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 16. Does the application require or include vegetation monitoring, removal or revegetation activities? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 17. Does the application require or include construction, modification, or removal of surface facilities? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 18. Does the application require or include water monitoring, sediment or drainage control measures? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 19. Does the application require or include certified designs, maps or calculation? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 20. Does the application require or include subsidence control or monitoring? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 21. Have reclamation costs for bonding been provided? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 22. Does the application involve a perennial stream, a stream buffer zone or discharges to a stream? |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 23. Does the application affect permits issued by other agencies or permits issued to other entities? |

Please attach four (4) review copies of the application. If the mine is on or adjacent to Forest Service land please submit five (5) copies, thank you. (These numbers include a copy for the Price Field Office)

I hereby certify that I am a responsible official of the applicant and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein.

Denise Dvugoo Denise Dvugoo, Attorney, 02/17/06
 Print Name Sign Name, Position, Date

Subscribed and sworn to before me this 17 day of January, 2006

Notary Public
 My commission Expires: _____
 Attest: State of _____
 County of _____

NOTARY PUBLIC
JENNIFER E. AMES
 15 W. South Temple, Ste. 1200
 Salt Lake City, Utah 84101
 My Commission Expires
 July 31, 2007
STATE OF UTAH

For Office Use Only:	Assigned Tracking Number:	Received by Oil, Gas & Mining <div style="font-size: 24pt; font-weight: bold; margin: 10px 0;">RECEIVED</div> <div style="font-size: 24pt; font-weight: bold; margin: 10px 0;">FEB 17 2006</div> DIV. OF OIL, GAS & MINING
-----------------------------	----------------------------------	---

763. Siltation Structures	Page -83-
764. Structure Removal	Page -83-
765. Permanent Casing and Sealing of Wells	Page -83-

List of Appendices

Appendix 7-1	Baseline Monitoring
Appendix 7-2	Water Monitoring Data (Horse Canyon)
Appendix 7-3	Probable Hydrologic Consequences
Appendix 7-4	Sedimentation and Drainage Control Plan
Appendix 7-5	U.P.D.E.S. Permits
Appendix 7-6	Seep/Spring Inventory
Appendix 7-7	Surface Water Characterizations
Appendix 7-8	Monitoring Location Descriptions
Appendix 7-9	Right Fork of Lila Canyon Flow and Geomorphic Evaluation
Appendix 7-10	Peak Flow Calculations
Appendix 7-11	Pump Information

List of Plates

Plate 7-1	Permit Area Hydrology
Plate 7-1A	Permit Area Hydrology (Geologic Map)
Plate 7-1-B	Hydro-Geologic Cross Section
Plate 7-2	Disturbed Area Hydrology & Water Shed Map
Plate 7-3	Water Rights
Plate 7-4	Water Monitoring Locations
Plate 7-5	Proposed Sediment Control
Plate 7-6	Proposed Sediment Pond
Plate 7-7	Post Mining Hydrology

List of Figures

Figure 7-1	Stratigraphic Section	End of Chapter
Figure 7-2A	Water Level Map - Spring and Fall 2002	End of Chapter
Figure 7-2B	Seasonal Water Level Fluctuations in Piezometers	End of Chapter
Figure 7-3	Spring and Tributary Recharge Schematic	End of Chapter
Figure 7-4	Range Creek Recharge Evaluation	End of Chapter
Figure 7-5	Photograph of Water Right 91-4649	End of Chapter

List of Tables

Table 7-1	1985 Spring & Seep Survey Results	Page 9
Table 7-1A	Peak Flow Simulations of Undisturbed Drainages in the Lila Canyon Mine Area	Page 25
Table 7-1B	Period of Record Monthly Climate Summary	Page 36
Table 7-2	Water Rights	Page 38
Table 7-3	Water Monitoring Stations	Page 55
Table 7-4	Surface Water Monitoring Parameters	Page 57
Table 7-5	Ground Water Monitoring Parameters	Page 58

Therefore, if a sampler were not on-site during the event, it is unlikely that any flow would be observed.

There are no specified water uses for the stream flows. No water rights exist on the surface streams, due to the overall general lack of flow for these drainages. There are two water rights for isolated stock ponds in the head waters of Stinky Spring Canyon, 91-4648 for Dryden Reservoir located in the SE/4, SW/4, Section 14, T16S, R14E and 91-4649 for Sams Pond located in the NW/4, NE/4, Section 23, T16S, R14E (see Plates 7-1 and 7-3). Both of the water rights are owned by the BLM and have a maximum capacity of 3 ac-ft. No records have been found that these ponds were constructed. ~~Field inspection shows~~ Based on the maximum capacity of the ponds, it is expected that ~~there are no ponds~~ these ponds would be about one half acre in the area specified by the water right locations size, assuming a depth of 5 feet. The area for water right 91-4648 is shown in a photograph presented in Attachment 1 ~~Field inspection of the quarter sections found no ponds along the ephemeral drainages and review of Appendix 7-7 (Photo 93 aerial photos of the area also did not reveal any ponds in the area. Page 28)~~ Based on the locations for the water rights, the area for water right 91-4648 is shown in a photograph presented in Attachment 1 of Appendix 7-7 (Photo 93 - Page 28). As can be seen, there is no stock pond in this area. The area for water right 91-4649 is shown in photographs taken in the area (see Figure 7-5) indicated in the water right of the pond. No pond has been found. The only thing found in the designated area is an area of grass in the pinyon juniper.

763. Siltation Structures	Page -83-
764. Structure Removal	Page -83-
765. Permanent Casing and Sealing of Wells	Page -83-

List of Appendices

Appendix 7-1	Baseline Monitoring
Appendix 7-2	Water Monitoring Data (Horse Canyon)
Appendix 7-3	Probable Hydrologic Consequences
Appendix 7-4	Sedimentation and Drainage Control Plan
Appendix 7-5	U.P.D.E.S. Permits
Appendix 7-6	Seep/Spring Inventory
Appendix 7-7	Surface Water Characterizations
Appendix 7-8	Monitoring Location Descriptions
Appendix 7-9	Right Fork of Lila Canyon Flow and Geomorphic Evaluation
Appendix 7-10	Peak Flow Calculations
Appendix 7-11	Pump Information

List of Plates

Plate 7-1	Permit Area Hydrology
Plate 7-1A	Permit Area Hydrology (Geologic Map)
Plate 7-1-B	Hydro-Geologic Cross Section
Plate 7-2	Disturbed Area Hydrology & Water Shed Map
Plate 7-3	Water Rights
Plate 7-4	Water Monitoring Locations
Plate 7-5	Proposed Sediment Control
Plate 7-6	Proposed Sediment Pond
Plate 7-7	Post Mining Hydrology

List of Figures

Figure 7-1	Stratigraphic Section	End of Chapter
Figure 7-2A	Water Level Map - Spring and Fall 2002	End of Chapter
Figure 7-2B	Seasonal Water Level Fluctuations in Piezometers	End of Chapter
Figure 7-3	Spring and Tributary Recharge Schematic	End of Chapter
Figure 7-4	Range Creek Recharge Evaluation	End of Chapter
Figure 7-5	Photograph of Water Right 91-4649	End of Chapter

List of Tables

Table 7-1	1985 Spring & Seep Survey Results	Page 9
Table 7-1A	Peak Flow Simulations of Undisturbed Drainages in the Lila Canyon Mine Area	Page 25
Table 7-1B	Period of Record Monthly Climate Summary	Page 36
Table 7-2	Water Rights	Page 38
Table 7-3	Water Monitoring Stations	Page 55
Table 7-4	Surface Water Monitoring Parameters	Page 57
Table 7-5	Ground Water Monitoring Parameters	Page 58

Therefore, if a sampler were not on-site during the event, it is unlikely that any flow would be observed.

There are no specified water uses for the stream flows. No water rights exist on the surface streams, due to the overall general lack of flow for these drainages. There are two water rights for isolated stock ponds in the head waters of Stinky Spring Canyon, 91-4648 for Dryden Reservoir located in the SE/4, SW/4, Section 14, T16S, R14E and 91-4649 for Sams Pond located in the NW/4, NE/4, Section 23, T16S, R14E (see Plates 7-1 and 7-3). Both of the water rights are owned by the BLM and have a maximum capacity of 3 ac-ft. No records have been found that these ponds were constructed. Based on the maximum capacity of the ponds, it is expected that these ponds would be about one half acre in size, assuming a depth of 5 feet. Field inspection of the quarter sections found no ponds along the ephemeral drainages and review of aerial photos of the area also did not reveal any ponds in the area. Based on the locations for the water rights, the area for water right 91-4648 is shown in a photograph presented in Attachment 1 of Appendix 7-7 (Photo 93 - Page 28). As can be seen, there is no stock pond in this area. The area for water right 91-4649 is shown in photographs taken in the area (see Figure 7-5) indicated in the water right of the pond. No pond has been found. The only thing found in the designated area is an area of grass in the pinyon juniper.