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Date: 5/25/2006 11:02:41 AM
Subject: Phase II pond & culvert information

Jerriann:

Sorry I was so slow getting this to you. Attached you will find a small write up and photos that may help sort out the required reclamation done at Phase II bond release as well as reclaimed channel repair.

If you have any questions please call.

Thanks

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**Phase II
Bond Release Work
And
Subsequent Repairs**

Horse Canyon (Geneva) Mine was initially opened by the Defense Plant Corporation in 1942 as a source of metallurgical grade coal for the Geneva Steel Works in Orem, Utah. The mine was sold to U.S. Steel in 1946, who operated the mine until January 1984, when all mining was permanently suspended.

U.S. Steel submitted a permanent program mining and reclamation plan permit application on March 17, 1981 for the operations existing at the time. On October 15, 1982, U.S. Steel informed the Division of Oil, Gas and Mining (DOGM) that it was temporarily suspending mining operations at the Horse Canyon (Geneva) Mine. In January 1984 U.S. steel informed DOGM of its plans to permanently suspend mining operations.

On November 11, 1984 Kaiser Steel purchased the Horse Canyon Mine property from U.S. Steel. On October 21, 1986, DOGM entered a stipulation and order for Kaiser Coal, successor in interest to Kaiser Steel, to submit either its response to DOGM's April 9, 1984 Determination Completeness finds for the U.S. Steel reclamation plan or submit a new reclamation plan and maintenance plan.

Interim reclamation was conducted during the fall of 1986. The project was conducted by Kaiser Coal, in cooperation with DOGM. In the third quarter of 1986 all portals, including Lila Canyon, were sealed with solid block wall to prevent unauthorized entry of the mine. The seals used are suitable for temporary closure or permanent reclamation.

On February 13, 1987, Kaiser Coal filed a petition for bankruptcy under Chapter 11, Title 11, of the U.S. Bankruptcy Code.

On April 5, 1990, Intermountain Power Agency ("IPA") acquired the Horse Canyon Mine. On July 3, 1990 DOGM executed a reclamation agreement with Intermountain Power Agency secured by the letter of credit. On August 10, 1990 the Permit Application Package was transferred to IPA with the agreement that IPA would continue to diligently pursue a permanent program permit and diligently pursue the reclamation work scheduled for summer and fall of 1990.

Areas of the Horse Canyon Mine was reclaimed by IPA in the fall of 1990 and spring of 1991. Phase I bond release was granted on February 5, 1997.

A Minor Exploration Permit was approved by DOGM on January 19, 1993. This permit allowed for BXG, Inc. to breach the seals and explore the Horse Canyon mine. The exploration plan states "This exploration is not being conducted by the owner or permit holder. Thus, no permit will be modified or revised."

BXG's Horse Canyon Exploration Project began in late August of 1992 with MSHA's approval of the Seal Breaching Plan and subsequent breaching of the Horse and Lila Canyon seals on August 26 and 27, 1992. Mine exploration began January 22, 1993, after MSHA approval of the mine Exploration Plan was received on December 30, 1992. A re-sealing plan was submitted to MSHA on April 27, 1993 and was approved May 14, 1993. The Lila and Horse Canyon seals breached in August, 1992, have been restored to original condition.

On September 1, 1998 UEI subleased the Horse Canyon Mine from IPA and on July 31, 2000 UEI purchased the Horse Canyon Mine.

Phase II bond release was conditionally approved on October 10, 1999 with stipulations. Prior to final approval UEI was required to remove the culvert on the landfill area and to realign the channel and also to remove sediment pond #2. In the fall of 2001 an amendment was filed with DOGM requesting that the pond be breached but otherwise left in place. The approved MRP at that time allowed for breaching or total reclamation of the pond. The request to breach was denied by DOGM, and the pond was reclaimed. The pond and culvert work was completed in the fall of 2001 with the understanding that the reclamation time clock would not restart. On January 24, 2002 Phase II bond release was approved.

On January 3, 2006. UtahAmerican Energy, Inc. Applied for Phase III bond release.

Below are Photos of the required sediment pond and culvert removal required at Phase II bond release.

POND PRIOR TO REQUIRED PHASE II RECLAMATION



POND DURING REQUIRED PHASE II RECLAMATION

Fall of 2001 Total Disturbance .88 Acres

Reclamation Clock NOT Restarted



POND AFTER REQUIRED PHASE II RECLAMATION



CULVERT REMOVAL REQUIRED PHASE II RECLAMATION

Fall of 2001 Total Disturbance .49 Acres

Reclamation Clock NOT Restarted



CHANNEL RESTORATION REQUIRED PHASE II RECLAMATION



REQUIRED CHANNEL RESTORATION PHASE II RECLAMATION



In November of 2003 a thunderstorm event resulted in severe damage to the channel established in the fall of 2001. Below are photos of the damage and repairs. The repairs did not restart the bond clock. Total disturbance for repairs did not exceed .49 acres.

DAMAGE FROM NOVEMBER 03 STORM EVENT



CLOSEUP OF DAMAGE FROM NOVEMBER 03 STORM EVENT

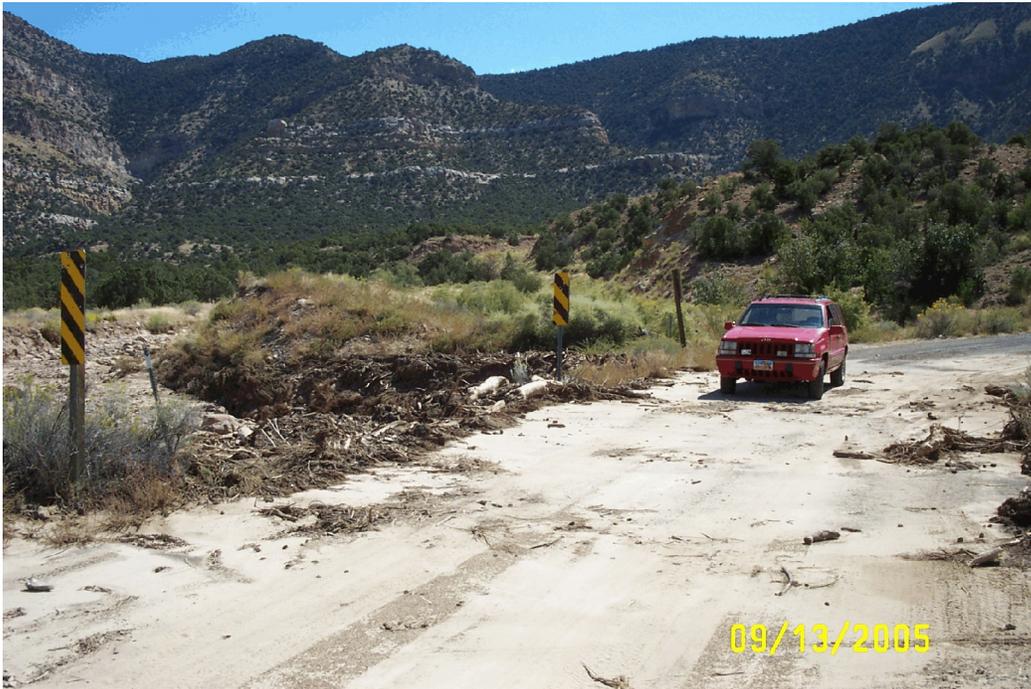


DAMAGE FROM NOVEMBER 03 STORM EVENT REPAIRED AUGUST 04
Repairs in August 2004 DID NOT Restart The Bond Clock



In September of 05 a very significant storm event slightly damaged for the second time the channel established in the fall of 2001

STORM EVENT SEPTEMBER 2005
Photo taken at the Horse Canyon Culverts
Note Plugged Culverts Water Flowing Over The Road



DAMAGE RESULTING FROM SIGNIFICANT SEPTEMBER 05 EVENT



The damage in the photo above appears worse than it really is due to the shadows. However the geometry of the reclaimed channel is no different than the main channel shown above nor in the channels immediately above and below shown in the photos below. Minor repairs to the channel, if required, should not restart the bond clock. Keep in mind at Phase II bond release the total disturbance for the culvert removal and for establishing the channel was less than .49 acres. Repairs to the above channel, if required would result in less than .25 acres of disturbance. The photos below show that the cutting in the established channel is the same or even less than the cutting in the main channel and in the channel above the reclaimed area. The established channel carries water from undisturbed across the disturbed area to the undisturbed Horse Canyon drainage.

Cutting in the same drainage above the reclaimed site. This area has never been disturbed and has the same characteristics as the area of potential repairs. The reclaimed channel is at AOC.



The below Photo is also in the same channel, immediately above the reclaimed channel, and shows natural cutting similar to that found in the reclaimed channel.



The Photo below shows cutting in the Main Horse Canyon Creek, undisturbed, which is much more significant than is the cutting found in the reestablished channel. The photo was taken immediately below the confluence of the reestablished channel and Horse Canyon.



It is the operators opinion that the reestablished channel does not need to be repaired since it does meet AOC and is not different than the undisturbed drainage above and below the reclaimed site.