

February 1, 2006

Henry Maddux, Field Supervisor
U. S. Fish and Wildlife Service
2369 West Orton Circle
West Valley City, Utah 84119

Subject: United State Fish and Wildlife Service (USFWS) Informal Consultation on Lila Canyon Mine Extension of the Horse Canyon Mine, UtahAmerican Energy, Inc. (UEI), Horse Canyon Mine, C/007/0013, Outgoing File

Dear Mr. Maddux:

The Division of Oil, Gas and Mining is currently reviewing the Horse Canyon Mine – Lila Canyon extension of the Horse Canyon Mine. The proposed expansion area is about 4660 acres with about 42 acres of surface disturbance for the facilities site. Subsidence caused from undermining operations could cause surface impacts.

The enclosed map shows the proposed Lila Canyon extension area is located in Emery County, Utah (7.5 Minute USGS Quadrangle map is Lila Point). The legal description for the proposed Lila Canyon extension is: T16S R14E Sections 10, 11, 12, 15, 14, 13, 22, 23, 24, 26, and 25, and in T16S R15E Sections 19 and 30.

The proposed Mining and Reclamation Plan (MRP) includes a list of Threatened and Endangered (TE) species for Emery County. This TE list was taken from the current USFWS 2004 list and issued by the Utah Natural Heritage Program (Utah Division of Wildlife) in June 2005. The TE list includes Barneby reed-mustard, Jones cycladenia, last chance townsendia, Maguire daisy, San Rafael cactus, Winkler cactus, Wright fishhook cactus, bonytail chub, Colorado pikeminnow, humpback chub, razorback sucker, Mexican spotted owl (MSO), black-footed ferret, bald eagle, western yellow-billed cuckoo, and southwestern willow flycatcher.

The Division has informally consulted with the USFWS on several occasions since 1999 concerning this project. The last letter the Division sent was on August 17, 2005. Since then we have had further discussions with your staff and UEI about specific matters concerning this proposed project.

The Division has also coordinated with the Office of Surface Mining (OSM) to conduct the formal consultation with your office concerning the Colorado River endangered fish. OSM sent their consultation letter on December 13, 2005 and we received the USFWS response letter on January 12, 2006.

Please refer to Division letter dated August 17, 2005 and the following updated paragraphs for pertinent information that may be useful during this informal consultation process:

TE Species

There is suitable habitat for the MSO within the proposed permit area. UEI would conduct a MSO calling surveys two years prior to reaching potential MSO habitat. UEI would survey areas with the following description: 1) areas identified by the 2000 model and supported by the Willey flyover results and 2) areas classified as subsidence zones. UEI would submit the results to USFWS, DWR, and the Division immediately following each nighttime survey. If the results were positive for the MSO, the agencies would immediately coordinate to determine appropriate measures.

Sensitive and Other Species of Concern

There are five golden eagle nests in the escarpments above the proposed Lila Canyon surface facility area. These nests are approximately between 0.38 and 0.75 miles from the western edge of the proposed facility boundary. UEI has conducted fly-over surveys of this area since 1998, with the exception of 2004.

Prior to construction and during operations UEI would coordinate closely with USFWS, DWR, and the Division to avoid a 'take' of golden eagles. UEI would conduct first seam mining (pillars remain) and conduct annual raptor surveys. UEI would submit the results of these surveys to the Division in Annual Reports. However, UEI would immediately contact the USFWS and the Division immediately following any raptor survey that shows that eagles were tending nests or nesting. The agencies would immediately coordinate to determine appropriate measures.

Division's Determination of Effects

The Division requests concurrence from the USFWS with our determinations that the proposed Lila Canyon expansion project "may affect", but "is not likely to adversely affect" MSO or its critical habitat; and that there will be "no effect" on the threatened or endangered species listed for Emery County with the exception of the Colorado River fish. As mentioned previously, USFWS has already reviewed the OSM formal consultation letter and issued a response letter concerning the endangered fish. Final decisions concerning TE species and the proposed project will come after the Division receives responses from USFWS.

Page 3
Henry Maddux
February 1, 2006

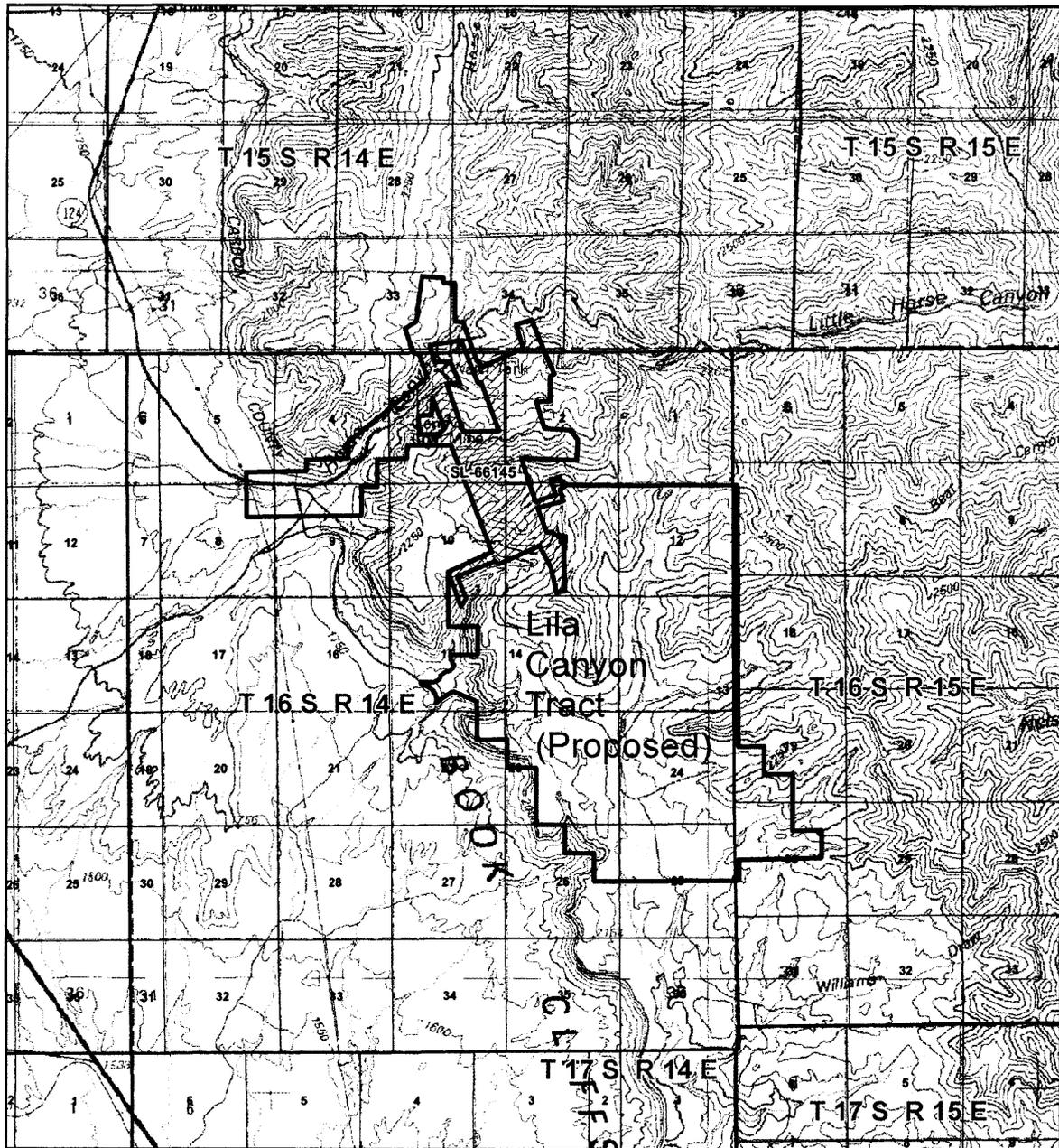
Thank you for the opportunity to discuss the matters of this mine plan and the conservation of TE species with your office. We would appreciate your response within 30 days so we may proceed with the review process.

If you have any questions about this project, please call me at (801) 538-5268 or Jerriann Ernstsens at (801) 538-5214.

Sincerely,

Pamela Grubaugh-Littig
Permit Supervisor

an
O:\007013.HOR\FINAL\LetUSFWSDetermLila3.doc



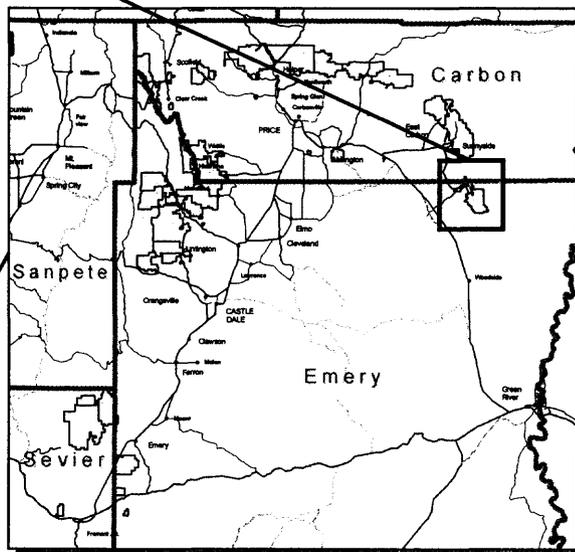
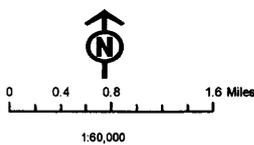
Horse Canyon Mine

C0070012
Carbon County, Utah
January 2006

Township 15 South Range 14 East
Township 16 South Range 14 East

File: N:\gis\coal\coalareamaps\C0070013.pdf

-  Permit Area
-  Proposed Mine Plan Modification (if shown)
-  Federal Lease Areas



Locator Map