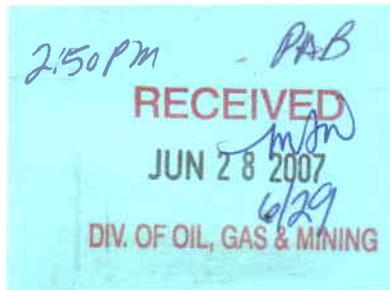


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PHOENIX, ARIZONA  
TUCSON, ARIZONA  
IRVINE, CALIFORNIA  
DENVER, COLORADO  
LAS VEGAS, NEVADA

June 28, 2007

**HAND DELIVERED**

*Jason*  
6/28/07

Ms. Mary Ann Wright  
Ms. Pamela Grubaugh-Littig  
Utah Division of Oil, Gas & Mining  
1594 West North Temple  
Salt Lake City, Utah 84116

**RE: Compliance with Special Conditions -- Lila Canyon Extension, Horse Canyon Mine, C/007/013**

Dear Mary Ann and Pam:

On behalf of UtahAmerican Energy, Inc. ("UEI"), we have been asked to confirm UEI's compliance with special conditions attached as Attachment A to the Permit dated May 18, 2007. The conditions have been met as follows:

1. **Special Condition:** UEI will submit water quality data for the Horse Canyon Mine in an electronic format.

**Response:** UEI has submitted this data since 1998 and will continue to do so.

2. **Special Condition:** UEI will not conduct coal development or mining operations on federal coal leases until Secretarial approval of the mining plan has been obtain.

**Response:** By letter dated June 26, 2007, enclosed, the federal Office of Surface Mining confirmed that the federal mining plan approval issued by the Secretary for the Lila Canyon Mine Project in 2001 remains in effect and that Permit C/007/0013 issued on May 18, 2007 does not require mining plan modification.

3. **Special Condition:** Within 30 days, UEI must incorporate the following into their Mining and Reclamation Plan ("MRP"):

(i) **UEI commitment to report actual annual water depletions to OSM through the Division of Oil, Gas & Mining ("Division") by September 30th of each year.**

Ms. Mary Ann Wright  
Ms. Pamela Grubaugh-Littig  
June 28, 2007  
Page 2

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**Response:** Pursuant to Appendix 7-3 of the MRP, UEI's PHC at page 21 commits to report water depletions annually in the annual reports submitted to the Division in March of each year.

(ii) **Reinitiation of Section 7, Endangered Species Act, and development of protection alternatives in the event that the Recovery Program is unable to implement fish recovery plans in a timely manner.**

**Response:** UEI addresses this commitment at Chapter 3, page 11, Section 322.210 of the MRP.

(iii) **Clarify information in the Environmental Cultural Resource Section of the MRP, Part B, to include information on the Programmatic Agreement ("PA"), protection of listed sites, direct/indirect impact and cultural or historic sites within the Permit and surrounding area.**

**Response:** UEI has provided this information in the MRP Confidential Binder, Appendix 4-1, pages 5, 6, which confirms that it will manage sites consistent with the stipulations of the PA. In addition, Montgomery Archaeological Consultants has provided cultural resource inventories which provide the requested information at Appendix 4-1. UEI met with the Division on May 29, 2007 and confirmed that the Division would inform UEI of any further information required in response to this special condition. Additional information has not been requested by the Division and UEI has met this requirement.

(iv) **Move Appendix X-1 and X-2 from the MRP, Part A, Volume IV, to the Confidential File.**

**Response:** UEI resubmitted the Confidential Binder to MRP, Part A, Volume IV. This task was accomplished by UEI on May 4, 2007, prior to Permit approval on May 18, 2007, and should not be listed as a special condition.

(v) **UEI has agreed to conduct yearly fly-over raptor surveys starting in 2005 and provide additional information required by the Division.**

**Response:** UEI provided the requested information which was incorporated into Appendix 3 of the MRP, Part B, Section 358.100, at page 38, and at Section 333.300 (Chapter 3 MRP, Part B). This information was provided to the Division by cover letter dated February 21, 2007 and should not be listed as a special condition.

Ms. Mary Ann Wright  
Ms. Pamela Grubaugh-Littig  
June 28, 2007  
Page 3

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(vi) **UEI requirements regarding raptor exclusionary periods.**

**Response:** UEI has provided the requested information at Appendix 3, MRP, Part B, Section 358.100 and Section 333.300 (Chapter 3 MRP, Part B). This information was provided to the Division by cover letter dated February 21, 2007 and should not be listed as a special condition.

(vii) **UEI has been requested to illustrate the number of all raptor nests within the subsidence zone.**

**Response:** UEI has provided the requested information at Appendix 3, MRP, Part B, Section 358.100 and Section 333.300 (Chapter 3 MRP, Part B). This information was provided to the Division by cover letter dated February 21, 2007 and should not be listed as a special condition. In addition, on June 19, 2007, UEI met at the offices of U.S. Forest Service in Price, Utah, with U.S. Fish & Wildlife Service, the Division and the Bureau of Land Management ("BLM"). The parties agreed that no mitigation plan is required and the Division has agreed to remove this special condition.

(viii) **UEI has been requested to remove conflicting information regarding subsidence and raptors at pages 10 and 16/17 of Chapter 3, MRP, Part B.**

**Response:** UEI has provided the requested information at page 10 (Chapter 3 MRP, Part B) and page 16/17 (Chapter 3, MRP, Part B). This information was provided to the Division by cover letter dated February 21, 2007 and should not be listed as a special condition.

(ix) **UEI has been requested to report actual annual water depletion to OSM, Western Region, by September 30th of each year.**

**Response:** Pursuant to Appendix 7-3 of the MRP, UEI's PHC at page 21 commits to report water depletions annually in the annual reports submitted to the Division in March of each year.

Finally, enclosed is correspondence submitted to the BLM regarding UEI's request for notice to proceed on the right of way for surface facilities located on BLM public lands. This right of way is not located within the federal coal lease area. The notice to proceed was issued on May 31, 2007. On June 22, 2007, UEI commenced surveying and flagging within the disturbed area boundary, but has not yet undertaken surface disturbance. The proposed schedule of activities on the BLM's right of way is set forth in the enclosed letter dated May 31, 2007.

Ms. Mary Ann Wright  
Ms. Pamela Grubaugh-Littig  
June 28, 2007  
Page 4

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Please let me know if you need anything further.

Very truly yours,



Denise A. Dragoo

DAD:jmc:448508  
Enclosures  
cc: Jay Marshall  
Bruce Hill

June 26, 2007

Utah Division of Oil, Gas, & Mining  
Coal Regulatory Program  
1594 West North Temple, Suite 1210  
P.O. Box 145801  
Salt Lake City, Utah 84114-5801

RE: UtahAmerican Energy, Inc.'s - "Horse Canyon Mine" - Application for a Permit  
Revision, Lila Canyon Extension

Dear Sir or Madam:

This is in response to the Utah Division of Oil, Gas & Mining's (UT-DOGM) May 18, 2007, issuance of Utah State permit C/007/0013, for the Horse Canyon Mine-Lila Canyon Extension, and whether the above subject permit revision constitutes a mining plan modification.

Mining plan approvals by the Secretary of the Interior are required under the Mineral Leasing Act of 1920, 30 U.S.C. 181, *et seq.* before coal mining can occur on Federal lands. This letter serves to document OSM's determination whether or not a mining plan approval from the Secretary is required for the above permitting action.

From February 11, 2002, through May 16, 2007, UtahAmerican Energy, Inc. submitted additional environmental resource information to supplement the original September 8, 1998, permit application package (PAP) submittal.

Pursuant to the requirements of Article VI.4 of the Utah Cooperative Agreement, the Office of Surface Mining Reclamation and Enforcement (OSM) reviewed the operation and reclamation plan portion of the Horse Canyon Mine-Lila Canyon Extension revised permit application, other appropriate portions of the PAP related to non-delegable responsibilities, and UT-DOGM's decision package of technical analysis and written findings. OSM's review has found that only certain parts of the 1998 PAP were revised to incorporate supplemental environmental resources information, and that the PAP approved by UT-DOGM on May 02, 2007, is not an entirely new and altogether different document. Operationally, the mining and reclamation operations have not significantly changed from the 1998 PAP.

Based upon the above review, OSM has determined that permit C/007/0013 issued by UT-DOGM on May 18, 2007, does not require a mining plan modification because this permit action does not meet any of the criteria of 30 CFR 746.18 (d). Additionally, pursuant to the Federal regulations at 30 CFR 746, "Review and Approval of Mining Plan", the Assistant Secretary,

Land and Minerals Management approved a Mining Plan on November 5, 2001, for Federal leases SL-066145, SL-066490, SL-069291, U-014217, U-0126947, and U-014218 for which DOGM had issued permit C/007/013. This mining plan approval has not been modified, cancelled or withdrawn as provided under 30 CFR 746.17(b), and hence is still in effect.

OSM's decision was based solely upon the Federal regulations under 30 CFR PART 746 and not the technical aspects of the revision application itself. Consequently, OSM's decision does not relieve UT-DOGM from coordinating the review and approval of the Application for a Permit Revision, Lila Canyon Extension, with other Federal agencies for compliance with other Federal regulations.

OSM consulted with the Bureau of Land Management on several occasions regarding the Lila Canyon Extension. The Bureau of Land Management stated in its opinion the permit revision did not constitute a mining plan action requiring Secretarial approval.

OSM did not consult with the U.S. Forest Service since no lands under its control were involved in the Lila Canyon Extension.

Please notify the applicant of our decision on this matter.

Should you have any questions regarding this letter or approval, please contact Carl R. Johnston, Utah Federal Lands coordinator, at (303) 844-1400, extension 1500.

Sincerely,

Ranvir Singh  
Manager, Northwest Branch

cc: BLM - Utah State Office  
BLM - Price Field Office  
USFS - Manti-La Sal NF  
Denver Field Division

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

**RIGHT-OF-WAY NOTICE TO PROCEED**

Right-of-Way or Temporary Use Permit (TUP) Serial Number  
UTU-77122

Date  
**MAY 31 2007**

Issuing Office  
Price Field Office

Right-of-Way or TUP name  
Lila Canyon Mine Site

INSTRUCTIONS - use Certified or Registered Mail or hand deliver. Send or give original to Holder. Distribute other copies as indicated after receipt date.

Holder: **Utah American Energy, Inc.**

In accordance with the terms and conditions of the above referenced right-of-way grant or TUP you are hereby authorized to proceed with the activities noted below in the locations specified. Maps are attached.  Yes  No

Activity	Location
Full range of activities as authorized by the subject right-of-way grant.	T. 16 S., R. 14 E., Section 15; NW1/4SE1/4, S1/2SE1/4, E1/2SW1/4

Authorized Officer is:

**Roger L. Bankert**

**Field Manager**

Name

Title

Onsite inspection and compliance of the Right-of-Way or TUP Stipulations will be conducted by the authorized officer=s representative.

**Dave Watson**

**125 South 600 West, Price, Utah 84501**

Name of Authorized Officer=s Representative

Office, Street Address, City, State Zip

**(435) 636-3610**

Home Phone Number (optional)

*Roger L Bankert*

**5/31/07**

Authorized Officer's or Representative's Signature

Date

Holders Acknowledgment when notice is delivered in person.

*R. Jay Marshall*

Signature of Recipient

*Utah American Energy, Inc.*

Firm Name

*Jay Marshall*

Name of Recipient

**5/31/07**

Date



**Lila Canyon Project**  
**P. O. Box 986, Price, Utah 84501**  
**Phone: (435) 888-4000**  
**(435) 650-3157**  
**Fax: (435) 888-4002**

May 31, 2007

Rodger Bankert  
Field Manager  
Bureau of Land Management  
Price Field Office  
125 South 600 West  
Price, Utah 84501

**RE: Request for "Notice to Proceed - Project Rights of Way ("ROW")"**

Dear Mr. Bankert:

On May 2, 2007 the Utah Division of Oil, Gas and Mining approved the Lila Canyon Permit Application Package (PAP) and on May 18, 2007 they issued the Mining and Reclamation Permit to UtahAmerican Energy, Inc. ("UEI") (attached)

Federal Mining Plan Approval was issued by the Assistant Secretary, US Department of the Interior, on November 5, 2001. (attached) UEI understands that the Federal Mine Approval is still in effect and will not be reissued.

With the appropriate State and Federal permits now in place, UEI respectfully requests that BLM issues a notice to proceed on ROW #UTU-77122 (Mine Site), UTU-76614 (Power Line), and UTU-76615 (Utility). All three ROW's were covered under EA No. UT-070-99-22.

All EA restrictions and stipulations, if any, contained within the notice to proceed will be adhered to. Work will start immediately and continue in the order listed below.

- 1) Delineate the permit area disturbed boundaries and areas of undisturbed within the disturbed.
- 2) Remove trees and other vegetation from the disturbed areas.
- 3) Remove topsoil and establish sediment controls.
- 4) Start surface construction and rock slopes.

If you have any questions please call.

Sincerely;

R. Jay Marshall P.E.  
Chief Engineer and Project Manager