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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

0038

Outgoing
C/007/0013

March 27, 2007

Ms. Denise Drago, Esq.
Snell & Wilmer, L.L.P.
15 West South Temple, Suite 1200
Gateway Tower West
Salt Lake City, Utah 84101-1547

Re: Comments on Draft Programmatic Agreement for Lila Canyon Extension, Utah American Energy, Inc. (UEI), Horse Canyon Mine, C/007/0013

Dear Denise:

We have received your request to meet with the Division to discuss UEI's proposed changes to the Programmatic Agreement (PA) and the Memorandum of Agreement (MOA). There has been no attempt to exclude UEI from the process. UEI's comments and proposed changes will be considered. As was made clear to UEI on January 26, 2007, we elected to proceed with obtaining agency approval of the PA without waiting to negotiate an agreement with UEI. This was done in order to comply with UEI's insistence that we proceed without delay to issue a decision on UEI's application for a permit. The Division is meeting with representatives from OSM, BLM, and the SHPO because they are the parties that are mandated to comply with §106 of the National Historic Preservation Act (NHPA). March 28, 2007 was the earliest date that was acceptable to all parties. Because UEI chose not to be a signatory, it is not a necessary party at this meeting.

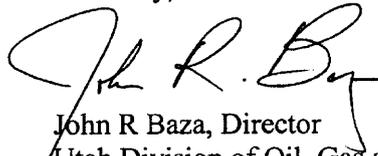
After the mandatory parties have reviewed UEI's comments, the Division can certainly take the additional time to arrange a meeting with UEI to discuss its proposed changes, if you wish. However, the Petition filed by UEI with the Board on March 12, 2007 seeks among other things to have the Board determine that the Division should not include tribal consultation and §106 compliance as part of the permit review process. We believe a meeting would not be productive until the Board rules on UEI's Petition.



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Ms. Denise Drago, Esq.

If there are any questions please advise.

Sincerely,

A handwritten signature in black ink, appearing to read "John R. Baza". The signature is fluid and cursive, with a large initial "J" and "B".

John R Baza, Director
Utah Division of Oil, Gas and Mining

JRB:jc

cc: John E. Jevicky
Ray Peterson, Emery County
Stephen Bloch, SUWA
Michael McKown, Esq. (via e-mail and U.S. mail)
Bruce Hill (via e-mail)
Jay Marshall (via e-mail)
Steve Alder, Esq. (via e-mail)
Mary Ann Wright (via e-mail)
John Harja (via e-mail)