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File ACT/007/018, #254
 Copy to Sus, June 2.

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DIV. OIL, GAS, M*

SOLDIER CREEK COAL CO.

Telephone (801) 637-6360

P.O. Box 1
 Price, Utah 84501

October 22, 1986

Mr. John T. Blake
 Utah Division of State Land & Forestry
 355 West North Temple
 3 Triad Center
 Suite 400
 Salt Lake City, UT 84180-1204

RE: Soldier Canyon Mine
 ACT/007/018

Dear Mr. Blake:

Ms. Susan Linner, Utah Division of Oil, Gas & Mining, transmitted to me your September 30, 1986 memo requesting a justification for not mining coal seams under five feet thick at the Soldier Canyon Mine. In response to this request, I have attached a memo from Mr. J. William Huber, Senior Engineer, with our affiliate, Elk River Resources, concerning the issues you raised.

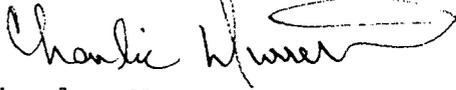
Mr. Blake, we are doing our best to economically recover the resource owner's reserves, whether that owner is the State of Utah or the Federal Government. We feel that it is better to propose a feasible plan under current economics than to propose idealistic plans and not be able to carry them out. I would assume that the resource owner would like to have a reasonable royalty from his property rather than none at all.

The initial plan is a sound proposal that will enable us to mine coal safely and compete in the marketplace

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for the life of the operation. In addition, it recovers the product in an efficient and workmanlike manner. If you have additional questions, please contact me at (303) 987-8720.

Very truly yours,



Charles W. Durrett
Manager, Environmental Affairs
Sunedco Coal Co.
7401 West Mansfield Avenue
Suite 418
Lakewood, CO 80235

CWD/ljm

Attachment

cc: T. Paluso - Soldier Creek Coal Co.
J. Huber - Elk River Resources
S. Linner - UDOGM

ELK RIVER RESOURCES, INC.

MEMORANDUM

DATE: October 21, 1986

TO: Charles W. Durrett

FROM: J. William Huber

SUBJECT: RESPONSE TO UTAH'S DIVISION OF STATE LANDS (DSL)
CONCERNING THE 5 FT. MINING HEIGHT LIMIT FOR THE SOLDIER
CANYON MINE

In response to Mr. Blake's memo dated September 30, 1986 as to the "high grading" of the reserves in the Soldier Canyon Mine permit area by using a 5 ft. mining limit, if our intent was to high grade the property we would only mine in areas of 8 ft. or greater with an as received quality of 12,200 BTU's or greater and under less than 1,500 ft. of cover. Also, we would mine only the Rock Canyon coal seam. This would give us favorable costs under today's market conditions and assure us of being profitable for the next 10 years. However, the current mining plan takes into account some positive market trends that would enable us to mine coal down to 60 in. and still remain profitable.

Present mining conditions in the Soldier Canyon Mine show a coal seam height of 8 ft., an 8° dip, and a mine quality of 0.60% sulfur and 12,000 BTU. Production at the mine is currently 1,300 t/da from one "Super" section running one shift per day. A "Super" section consists of 2 continuous miners, 2 roof bolters, 2 shuttle cars, and various pieces of support equipment. The 1,300 t in one shift represents approximately 200 ft. of linear advance. The "Super" section concept has been used to increase productivity at the mine since a recent layoff. The layoff was due to decreased coal sales.

Prior to the use of the "Super" section, the productivity of a mining section was 900 t/unit shift or approximately 140 ft. of linear advance. This 44% increase in productivity by using the "Super" section will reduce the overall mine cost by 20% and enable the mine to obtain sales for the coal by reducing the present sales price. The increased productivity will let Soldier Creek Coal Company compete in today's marketplace. We feel that this high degree of productivity must be maintained in order to stay competitive in the years to come. For that reason, the introduction of longwall mining to the operation, as shown in the proposed mining plan, is imperative. In conjunction with that, mining in areas that will enable high productivity to be achieved is also imperative.

Soldier Creek Coal Company's affiliate, Elk River Resources, has extensive experience in mining thin coal seams. Elk River's Eastern subsidiaries will mine approximately 8 million tons of coal in 1986 from seams ranging from 26 to 66 in. The mines from which

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the coal is mined are some of the most productive in the Appalachian area and are highly competitive in the marketplace. Rates of linear advance for the various mines range from 180 to 240 ft. As you can see the rates of linear advancement are independent of coal seam thickness, and there is a direct relationship of the tons produced to the seam thickness. At Elk River's Shamrock operations in East Kentucky, coal is mined from seams that range in thickness from 36 to 60 in., the range that DSL wants us to consider in the Soldier Canyon Mine mining plan. The cost of removing that coal is 30% higher than it costs Soldier Creek to remove 8 ft. of coal at a 900 t/unit shift rate and 44% higher than it costs Soldier Creek to remove 8 ft. of coal at a 1,300 t/unit shift "Super" section rate. According to current Utah sales, mining coal in the 36 to 60 in. range would produce a product that would cost \$6 to \$7 more to produce than it would to sell. It should be added that the conditions in these mines in East Kentucky are excellent, 400 to 700 ft of cover, 1% to 3% dip, and no methane liberation.

With the extensive mining experience Elk River has in thin seams and with the cost comparisons stated above, we feel that a 5 ft. mining limit is more than reasonable under current and projected market conditions. It should also be noted that should those market conditions improve dramatically, Soldier Creek Coal Company could recover those reserves in the 3 to 5 ft. range. The proposed mining plan leaves main line entries and barrier pillars intact so that the mine can be extended into thin coal areas and adjacent properties, should it be feasible to do so. The proposed life of the mine plan provides enough flexibility to include areas where new technology and improved market conditions can be used to mine those areas safely and economically.

JWH/pb