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DEPARTMENT OF NATURAL RESOURCES

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August 3, 2007

James Jensen, Vice President
Savage Services Corporation
6340 South 3000 East
Salt Lake City, Utah 84121

Subject: Midterm Review, Savage Services Corporation (SSC), Savage Coal Terminal, C/007/0022, Task ID #2759, Outgoing File

Dear Mr. Jensen:

The Division has conducted a "Midterm Review" of the Savage Coal Terminal Mining and Reclamation Plan (MRP) as specified in the letter to you on March 5, 2007. Division of Oil, Gas and Mining (DOGM) personnel visited the site on April 18, 2007 where they met with Dan Guy and Boyd Rhodes to discuss the purpose and expectations of the Midterm Review and future upgrades of the MRP.

Mr. Guy escorted the DOGM group on a tour of the facilities. He mentioned he was given authority from you to update the MRP to convert the currently-approved MRP to the R645 format and digitize all of the maps. SSC is reminded to ensure all maps have correct and legible legends, items and activities are described accurately on the maps and that the maps are certified by a Utah registered professional engineer or geologist, as appropriate. As a reminder, identify all silt fences and berms on the reformatted maps with the appropriate legends.

The Division conducted a review of hydrologic routing and sediment treatment structures and found that best technology currently available (BTCA) applications are being implemented to prevent additional contributions of suspended solids to stream flows.

An AVS check was conducted on July 17, 2007 for Savage Services Corporation. There were no violations.

There are several permitting items that need to be addressed. The Permittee needs to ensure all land use information is updated. The MRP should also include a commitment to sample water quality and quantity data according to federal and state water quality standards, and to submit that information to the DOGM Water Quality Database prior to the first day of the second quarter after the quarter in which the monitoring occurred. This commitment and the land use update must be submitted as an amendment to the MRP by September 10, 2007.

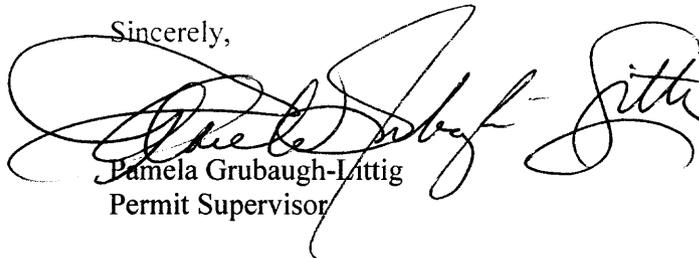
The reclamation cost estimate in the MRP is outdated and must be replaced with current bond estimates. The Division calculated a reclamation cost estimate of \$2,412,000 in 2012 dollars, whereas, the Permittee currently has posted a bond for \$2,525,000. A copy of the updated bond estimate was e-mailed to Mr. Guy and needs to be submitted for inclusion in the MRP by September 10, 2007.

Plans were submitted November 26, 2006 for a plant overflow pond (Task 2706) for the Savage Coal Terminal, but were denied on December 8, 2006, because of insufficient information. No further action was taken for this pond. It is unknown by the Division if the SCC still intends to install an overflow pond. Please explain the process of obtaining and discharging the preparation plant water to the Division by September 10, 2007.

Two programs have gained more recognition in the review process since the Coal Terminal closed and then reactivated. The U.S. Fish and Wildlife Department-Colorado River Endangered Fish Recovery Program, and the Cultural Resource-Archeological Inventory. SSC needs to work with Joe Helfrich, DOGM, to ensure issues in these items are addressed and updated in the MRP by the end of this year.

We would like to meet with you prior to converting your MRP to a new format. Please call me at (801) 538-5286 or Dave Darby at (801) 538-5341 to arrange that meeting. If you have any questions about this review, please don't hesitate to call.

Sincerely,



Pamela Grubaugh-Littig
Permit Supervisor