



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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 Salt Lake City, UT 84145-0155
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IN REPLY REFER TO:

3480
 U-07064-027821
 U-50722
 SL-051279-063188
 UTU-69635
 ML-48435
 ML-50582
 (UT-923)

MAR 06 2007

ok
Incoming
C/007/0039
cc: PSL, DWH

Certified Mail - Return Receipt Requested

Mr. Erwin Sass
 Canyon Fuel Company, LLC
 Soldier/Dugout Canyon Mines
 P. O. Box 1029
 Wellington, Utah 84542

Refer to *Expandable 03062007*
 file in *COB70039, 2007, Incoming*
 for additional information

Re: Modification to the Resource Recovery and Protection Plan (R2P2) for Federal coal lease U-07064-027821, and Mine plan for State coal lease ML-50582, Dugout Canyon Mine

Conditional R2P2 Modification Approval w/ SITLA Concurrence

Dear Mr. Sass:

Background: On January 29, 2007, the Bureau of Land Management (BLM) received a request from Canyon Fuel Company (CFC) to modify the Resource Recovery and Protection Plan (R2P2) of the Dugout Canyon Mine to incorporate the proposed Federal lease modification of lease U-07064-027821. This response to CFC's R2P2 modification request also addresses the proposed mine plan for State coal located in State lease ML 50582, issued on February 1, 2007. In conjunction with their lease modification proposal, CFC submitted information to update and supplement the existing R2P2, which has been modified since its original approval.

The map of the proposed mine plan indicates CFC's intentions to extend longwall panels (in a "barrier-panel-barrier" longwall design) into Federal and State coal, located on the approved State and Federal leases and on the proposed Federal lease modification area. The proposed longwall panels measure 875 ft in width, and barrier pillars measure 425 ft in width. The R2P2 modification approval letter which allowed mining by the "barrier-panel-barrier" method on the existing Federal lease U-07064-027821 was signed on October 18, 2005. Included in CFC's modification request letter is a table reporting the remaining (unmined) recoverable coal tonnages on both the existing and proposed State and Federal lease areas. The approved MSHA ventilation map, a mine plan timing

map, and a variety of other AutoCAD maps (including coal isopachs for both the Gilson and Rock Canyon Seams) were also included in the R2P2 modification submittal package.

Approval: The BLM has met with SITLA, and hereby conditionally approves CFC's proposed revisions to the R2P2/SITLA plan of operations, as submitted. The BLM and SITLA concur with CFC's revised plan for mining on these Federal and State coal leases, which is included in Enclosure 1 (Approved R2P2 Timing Map).

Conditions of Approval: This R2P2 modification approval for the subject Federal lease is conditional on the approval of the Federal lease modification, and the following:

1. Within 90 days of receipt of this letter, the lessee must:
 - a. Verify the adequacy of the ventilation system to meet the requirements for the northernmost panel (Gil 9). This verification may come in the form of a ventilation simulation from CFC or from a consulting party.
 - b. Provide the rationale for dropping the number of entries in the mains heading north from six entries to apparently four entries. The information provided to meet condition number 1, above, may answer this question.
 - c. Extend the planned length of the Gil 9 panel to match the planned length of the adjacent panels (maximizing recovery), or provide justification for its present design.
 - d. Revise submitted maps and provide correspondence explaining CFC's plans for instances where mining of presently-unleased coal is shown. The BLM cannot approve mining of unleased coal. The submitted mine map shows small areas of planned coal extraction in Sections 23 and 25 of T13S, R12E (near the outcrop located southeast of Dugout Canyon) that cross CFC's present leasing boundaries.
2. The lessee must provide a mine map which identifies gob vent borehole (GVB) locations a minimum of 90 days prior to reaching them underground.

Please submit the information required for conditional approval to the BLM and SITLA.

Inspection: The mine was inspected on December 19, 2006 and February 21, 2007. Mining was proceeding toward the modification area as planned.

Surface Considerations: No additional surface considerations will be addressed since mine subsidence is expected to be negligible. This BLM determination is based on: (1) the depth of the mine workings from the surface in this area (2200 to 3000 feet), (2) the "barrier-panel-barrier" mining method employed, and (3) to a lesser degree, the relative uniformity of the overlying surface features throughout this area (no canyons or cliffs). (Maleki, 2006. *Prediction of Surface Deformation Resulting from Longwall Mining Over the Gilson North-East Block.*)

National Environmental Policy Act (NEPA): An environmental assessment (EA) of the lease modification action (UT-070-07-012) was performed by the BLM. On February 9, 2007, a Finding of No Significant Impact (FONSI) for this EA was issued.

Recoverable Reserve Base: The BLM-adjusted recoverable reserve base for Federal lease U-07064-027821, effective upon lease modification approval, is reported in Table 3 of Enclosure 2.

Logical Mining Unit (LMU) / Cost Recovery: Projections of the Soldier Creek LMU recoverable reserve base and diligence requirements (reflecting reserve changes associated with the current R2P2 modification approval) are included in Enclosure 2. Recoverable reserves and diligence requirements for past COYs of the LMU are also reported in Enclosure 2. The BLM cannot completely process your request to place lease modification lands into the LMU through this correspondence because the regulations at 43 CFR 3473.2(e) require cost recovery for LMU modifications, meaning CFC will have to pay for the action. A Federal lease modification is considered an enlargement of the LMU, not an LMU modification, and therefore does not require cost recovery. The BLM will place the Federal lease modification reserves into the LMU upon lease modification approval. Because the SITLA lease is a new lease, requiring an LMU modification for its addition to the LMU, the BLM will bill for the addition of the State lease into the LMU following Federal lease modification approval.

Maximum Economic Recovery (MER): Upon the approval of the lease modification, the approved "barrier-panel-barrier" longwall method will enable MER of Federal (and State) coal to be achieved under the deep mining conditions present on the subject State and Federal leases.

This R2P2 modification complies with the Mineral Leasing Act of 1920, as amended, the regulations at CFR 3480, and the lease terms and conditions. If you need further information, feel free to contact Stan Perkes of the BLM staff at (801) 539-4036 or John Blake of SITLA at (801) 538-5152.

Sincerely,

JAMES F KOHLER

James F. Kohler
Chief, Branch of Solid Minerals

Concurrence:



Tom Faddies
Assistant Director
SITLA

Enclosures:

- 1) Approved R2P2 Timing Map
- 2) LMU Recoverable Reserves and Diligence

cc: BLM UT-070, Price UT (w/ both enclosures)
Tom Faddies (w/ both enclosures)
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Salt Lake City, Utah 84102-2818
Wayne Hedberg (w/ Enclosure 1)
Division of Oil Gas and Mining, State of Utah
1594 West North Temple Street, Suite 1210
Salt Lake City, Utah 84114-5801

Dugout Canyon R2P2 Mod 3-1-07-PB-SA