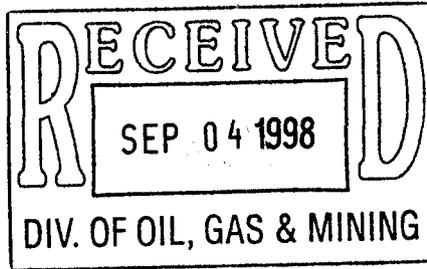


0016

One Utah Center  
201 South Main Street, Suite 2000  
Salt Lake City, Utah 84140-0020  
(801) 220-4616 • FAX (801) 220-4725



A Subsidiary of PacifiCorp

HAND DELIVERED

September 2, 1998

Mr. G. William Lamb  
State Director  
United States Department of the Interior  
Bureau of Land Management  
Utah State Office  
324 South State, Suite 301  
Salt Lake City, Utah 84111-2303

ACT 1015/018 #2  
Copy Aaron

**RE: Amendment Request to Include 10 Additional Acres with Full Extraction to Application for Second Modification of Federal Coal Lease U-06039 Dated May 12, 1998, East Mountain Logical Mining, Deer Creek Coal Mine, Emery County, Utah**

Dear Mr. Lamb:

On behalf of PacifiCorp, the lessee of federal coal lease U-06039, by and through its wholly-owned subsidiaries, Interwest Mining Company (as managing agent) and Energy West Mining Company (as mine operator), this letter is written to amend the second modification of federal coal lease U-06039 to include:

- (1) an additional 10 acres of unleased federal coal lands adjacent to the western boundary of the initial 40 acre tract sought for modification to U-06039 under application dated May 12, 1998, and
- (2) request approval for both first mining and full extraction mining within the 50 acre proposed lease modification. (See attached Figure #1).

As development of the 5<sup>th</sup> North Mains proceeds to the northeast within the North Rilda Canyon area of the Deer Creek Mine, further evaluation of the available coal seam and geologic information has yielded a mine plan configuration which maximizes the available coal resource recovery within this area of the mine. Although a number of factors are still unknown, such as the actual location and characteristics of the Mill Fork Fault Graben, potential adverse geologic conditions inclusive of low coal, channel scours and burned/oxidized coal zones on the western margin of the Blind Canyon and Hiawatha

Mr. G. William Lamb  
September 2, 1998  
Page 2

seams, our evaluation suggests that the potential for greater coal recovery exists (approximately 800,000 tons) whereby possibly outweighing the risks involved with mine development and encountering these unproven geologic features.

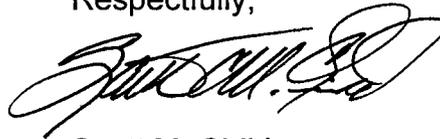
Whereas, the Environmental Assessment process is currently underway as initiated by the referenced lease modification dated May 12, 1998 to assess mining impacts, Energy West Mining Company has been in close contact with the Forest Service and your Price BLM Office in assessing the full extraction concept. This 10 acre additional area together with the agencies approval for both first mining and full extraction mining in the entire lease modification area (50 aces) could hopefully enable additional coal recovery which could otherwise be bypassed.

Therefore, enclosed in triplicate is the amendment to the Application for the Second Modification of Federal Coal Lease U-06039. Subsequent to this request, Energy West Mining Company will also submit an amendment to the pending Incidental Boundary Change with the Utah Division of Oil, Gas & Mining.

Meanwhile, should you have any questions or need additional information, please feel free to contact my at 801-220-4612 or Larry LaFrentz of Energy West at 435-687-4726.

Your consideration of this matter is greatly appreciated.

Respectfully,



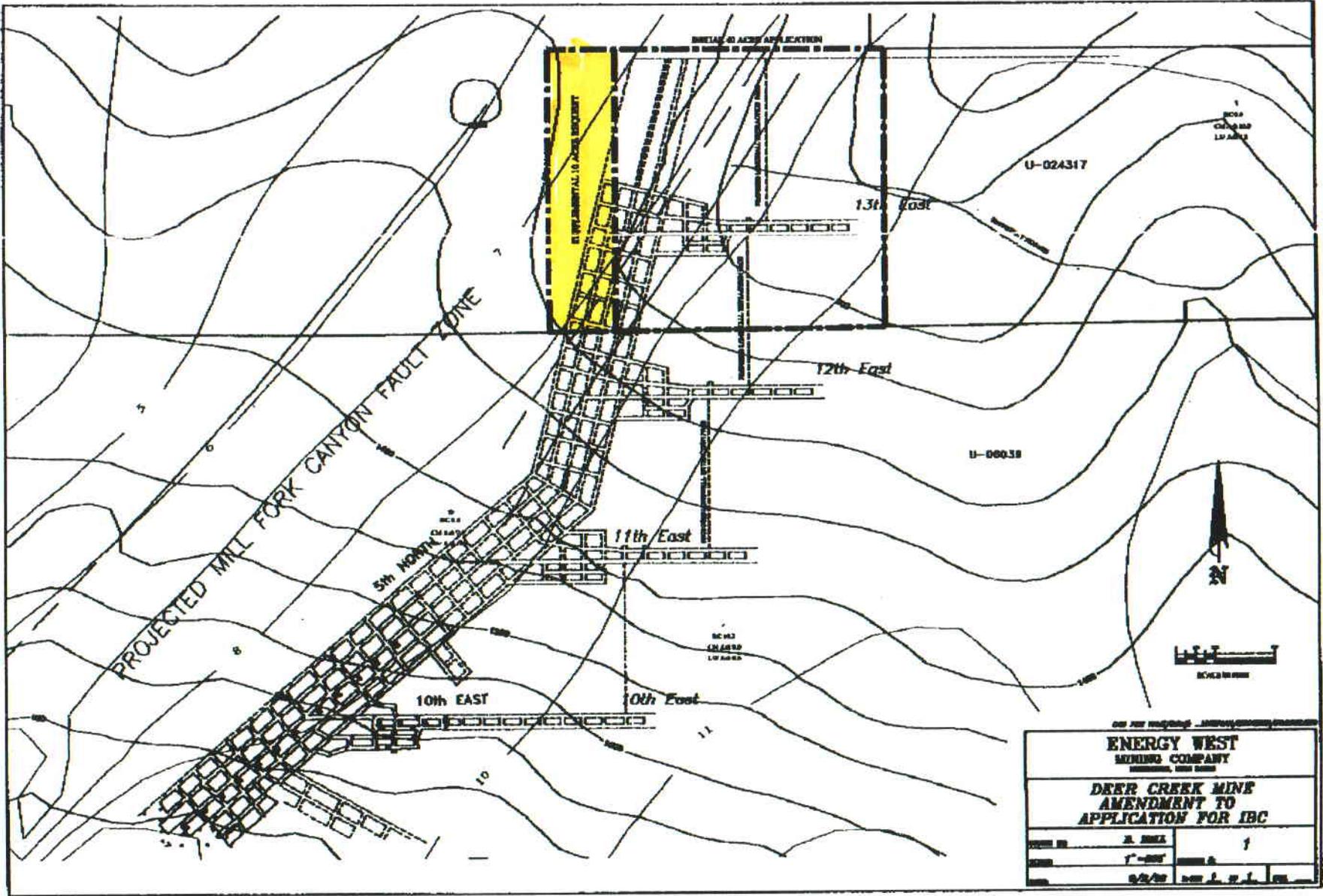
Scott M. Child  
Property Management Administrator

Enclosures

SMC\UTBLM9804.wpd

cc: IMC w/copy encl. - D. Baker, D. Jense, S. Kochevar, B. Webster  
EWMC w/copy encl. - D. Lauriski, L. LaFrentz, C. Pollastro, C. Semborski, B. Willey  
BLM Price, UT w/copy - R. Manus, B. Grosely  
BLM Moab, UT w/copy - K. Kitchell  
USFS Manti LaSal National Forest Price, UT., 2 copies - C. Reed  
DOGM, w/copy - P. Grubaugh-Littig  
UDWR Price, UT., 1 copy - M. Moretti  
Utah State Eng. Price, UT., 1 copy - M. Page

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ENERGY WEST  
MINING COMPANY

**DEER CREEK MINE  
AMENDMENT TO  
APPLICATION FOR IBC**

DATE	BY	NO.
11/2/88	J. P. L.	1

**Amendment  
to  
Application for Second Modification  
of  
Federal Coal Lease U-06039**

**By  
PacifiCorp, an Oregon Corporation  
c/o Interwest Mining Company  
One Utah Center, Suite 2000  
201 South Main Street  
Salt Lake City, Utah 84140-0020**

**September 2, 1998**

**Amendment to Application for Second Modification  
of Federal Coal Lease U-06039  
Deer Creek Coal Mine, Emery County, Utah**

**1.0 Introduction**

This lease modification application for unleased federal coal is submitted to the authorized officer of the Bureau of Land Management (BLM), Utah State Office, in accordance with the applicable rules and regulations set forth within title 43 CFR Subpart 3432.

The lease modification applicant is: **PacifiCorp  
c/o Interwest Mining Company  
One Utah Center, Suite 2000  
201 South Main Street  
Salt Lake City, Utah 84140-0020**

**2.0 Application § 3432.1**

(a) The applicant is the current lessee of record for federal coal lease U-06039 and hereby seeks to modify said lease for the second time to include contiguous coal lands or coal deposits consisting of 50.0 acres. Federal coal lease U-06039 was originally issued on May 1, 1953 consisting of 1360.00, readjusted effective May 1, 1993 and was previously modified effective May 16, 1995 to include 42.97 acres, thus containing a total of 1,402.97 acres combined. Upon acceptance and issuance of this second modification, the total lease would contain 1,452.97 acres.

(b) The area of lease modification is described as follows and as shown on Figure 1:

T. 16 S., R. 7 E. SLM

Section 20	SE $\frac{1}{4}$ NW $\frac{1}{4}$	40.0 acres
	E $\frac{1}{2}$ E $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$	10.0 acres
<hr/>		
Total lease modification acreage		50.0 acres

Subsurface ownership:  
(All Minerals)

U.S. Department of the Interior  
Bureau of Land Management  
Utah State Office  
324 South State Street  
Salt Lake City, Utah 84111-2303

Surface ownership:  
(All)

U.S. Forest Service  
Manti-LaSal National Forest  
Price District  
599 West Price River Drive  
Price, Utah 84501

This modification is necessitated to maximize coal recovery between existing lease boundaries and the Mill Fork Canyon Fault which would otherwise be bypassed. It is planned to develop the 5<sup>th</sup> and 6<sup>th</sup> North Main entries on northeasterly bearings, generally running parallel with the Mill Fork Canyon Fault to the northern most planned longwall panel located in adjacent federal coal lease U-024317 and as included in the approved R<sup>2</sup>P<sup>2</sup>. The location and geologic characteristics of the Mill Fork Canyon Fault together with the western margins of the Blind Canyon and Hiawatha coal seams are not totally known and there is the risk of the fault zone creating advancement problems as development progresses northeastward. However, by modifying the lease to include this 50 acre tract, a more functional mine entry layout can be obtained provided the geologic conditions are

favorable. The 5<sup>th</sup> North Mains (consisting of 5 entries) are being developed northeasterly from the 4<sup>th</sup> North/5<sup>th</sup> North intersection, on a continuous bearing to a proposed 5<sup>th</sup> North/6<sup>th</sup> North Main intersection north of the 11<sup>th</sup> East neckoff area. The 6<sup>th</sup> North Mains will be developed northeasterly to facilitate development of the 12<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> East neck off areas. This layout adds simplicity to the belt haulage system and proposed ventilation system, together with increasing the initial overall panel lengths of the 12<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> East longwall panels beyond the current lease boundary, thereby netting approximately 800,000 additional tons of recoverable coal reserves. (Please note, the additional tonnage is simply an estimate which is subject to change pending actual geologic conditions and results of the U.S. Forest Service environmental assessment/escarpment study for the Rilda and Mill Fork Canyon areas.) See Map 1. Otherwise, without the lease modification, main entry development would have to “jog” around the existing lease boundary, complicating the mainline belt haulage and ventilation systems, as well as bypassing approximately 800,000 tons of recoverable reserves. See Map 2. This planned development within this modified area will involve both first mining and full extraction mining methods in an attempt to maximize coal resource recovery.

This modification would be advantageous and beneficial to the interests of the United States because it:

1. Allows mining of coal not logically accessed and recovered by any other operations or means.
2. Maximizes recovery of the coal resource through prudent mine planning, eliminating the potential bypass of coal reserves.
3. Encourages the greatest ultimate recovery of coal within and adjacent to the modification area.

4. Provides additional revenues to the United States in the form of annual rentals and production royalties.

### **3.0 Availability § 3432.2**

(a)(1) The applicant feels that the lease should be modified based upon its own merits and taking into consideration the items listed above. Furthermore, the criteria set forth under this subsection has been met and serves the best interests of the United States.

(a)(2) There is no logical competitive interest in the lands or deposits because:

1. The applicant is the lessee of record holding the federal leases adjacent to south and east sides of the modification area.
2. The Mill Fork Canyon Fault zone presents a physical adverse geologic and engineering condition which challenges future recovery.
3. There is no other nearby operation which could economically mine this area.
4. The only logical access is from the applicant's Deer Creek Mine and adjacent leases.

(a)(3) Due to the isolation on the east side of the Mill Fork Canyon Fault, together with other geologic and environmental concerns, the likelihood of leasing this parcel through competitive solicitation is highly remote and unlikely. This parcel cannot logically be mined or developed as part of another operation or any potential new operation. There is no other operation in the area that could economically access this area.

(b) Coal deposits underlying this parcel can only be mined by underground mining techniques due to the depth of the overburden and a U.S. Forest Service stipulation. Any other method would be precluded.

(c) Applicant request the lands applied for lease modification be added to applicant's existing federal lease U-06039 without competitive bidding. Due to the uncertainty of the

amount of recoverable coal within the proposed modification area, applicant commits compensation to the United States of the fair market value (as compensated in the prior modification) by paying a rate of \$0.25 per ton for the actual tonnage produced from within the modification area, in addition to the 8% federal royalty rate. Applicant feels the production royalty of 8%, plus the additional \$0.25 per ton together with the annual rental of \$3.00 per acre per year (as required by lease U-06039) would be just compensation for said lands and coal reserves, which would otherwise be lost or bypassed.

**4.0 Terms and Conditions § 3432.3**

(a) The terms and conditions of federal lease U-06039, of which the applicant proposes to modify, were readjusted effective May 1, 1993 and subsequently modified effective May 16, 1995.

(b) Upon applicant's review and acceptance of the lease terms and conditions of the modified lease, Lessee/Applicant will file written notice of acceptance with the BLM. At such time, it is the intent of the Lessee upon final modification of said lease, to include this modified area into the East Mountain Logical Mining Unit (LMU) and adjust the LMU performance bond accordingly to include the additional lands.

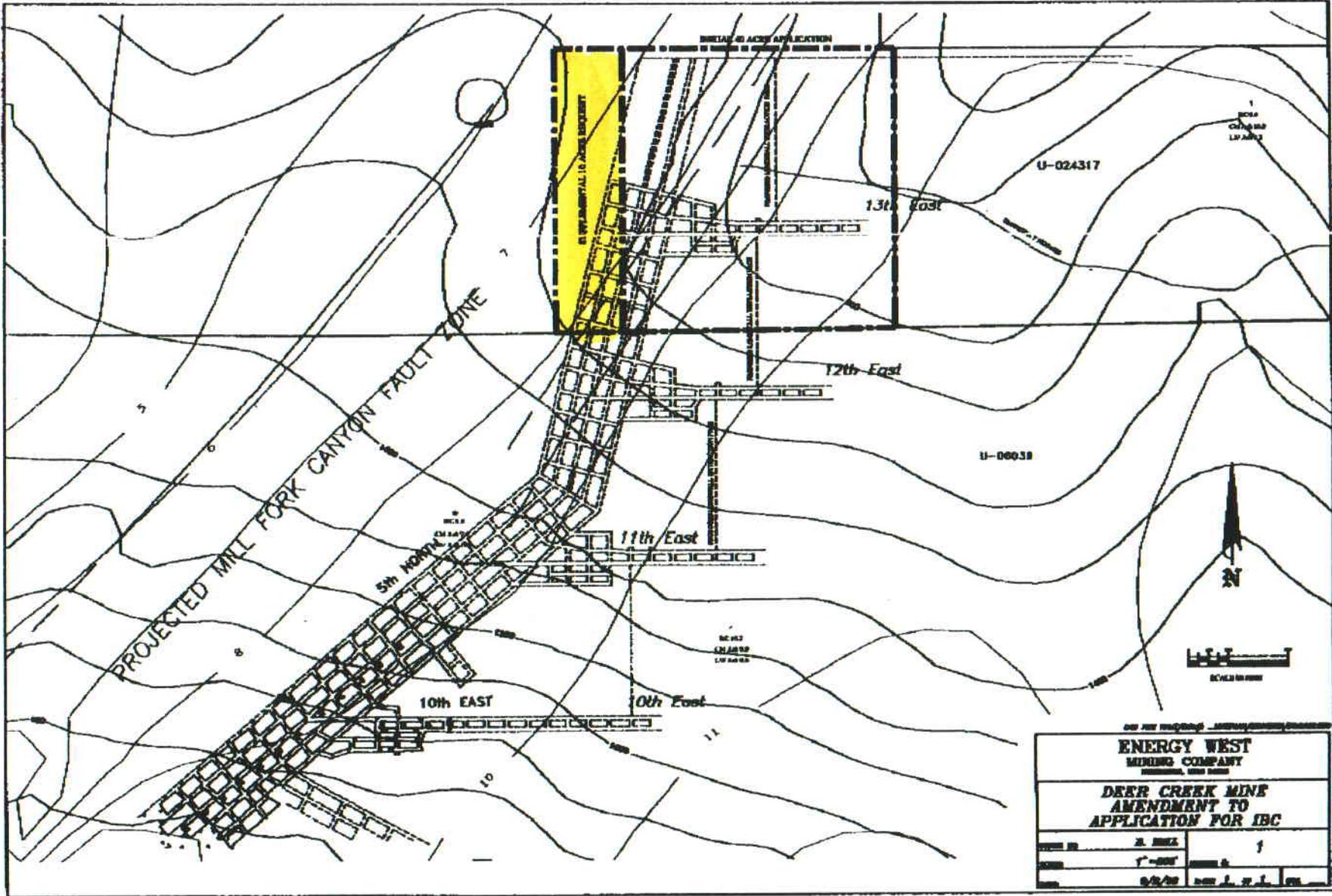
(c) To assist the BLM in addressing compliance with the procedures and standards set out in 43 CFR § 3425.3, applicant is prepared to provide any and all applicable data from its files to address the environmental assessments in the area including mining suitability, cliff escarpment, surface impact and hydrologic studies. Attached are copies of various environmental and decision documents associated with recent Deer Creek Mine permitting actions involving adjacent federal coal leases U-06039 and U-024317.

**List of Attachments**

1. Modified Federal Coal Lease U-06039, effective 5/16/95.

2. DOGM Permit # ACT/015/018 Deer Creek Mine to Include Northern Rilda Canyon Leases, Dated 7/15/97.
3. Correspondence from BLM Price Office to DOGM dated 7/16/97 - R<sup>2</sup>P<sup>2</sup> revisions for the Deer Creek Mine Permit Expansion into the North Rilda area were technically complete and complies with MLA of 1920, recommending approval of Deer Creek Mine permit expansion.

SENT BY: Xerox Telecopier 7021 ; @- 2-98 172:04PM ; BU106/20807 INTERWEST MINING, #



<b>ENERGY WEST MINING COMPANY</b>	
<b>DEER CREEK MINE AMENDMENT TO APPLICATION FOR IBC</b>	
DATE: 2/1/82	1
SCALE: 1"=500'	PAGE 2
BY: J. H. J. JR.	