



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
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AUG 08 2003

IN REPLY PLEASE REFER TO:
U-06039, SI-051221, U-2810

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Certificate No.

Mr. Steven E. Kochevar, P. E.
Mine Planning Administrator
Interwest Mining Company
One Utah Center, Suite 2000
Salt Lake City, Utah 84140-0200

Re: Minor Modification of Resource Recovery and Protection Plan (R2P2),
Configuration of 2nd Right Longwall, Hiawatha Seam, Deer Creek Mine.

Dear Mr. Kochevar:

The Bureau of Land Management (BLM) received, on October 30, 2002, a request from Interwest Mining Company to change the approved R2P2 at the subject mine. The modification letter included a number of requests. This response deals with the final configuration of the 2nd Right longwall panel, Hiawatha Seam, North Rilda Canyon area. The area in question is located on Federal coal leases U-06039, SI-051221, and U-2810.

Interwest proposes to develop and mine by longwall mining methods, the 2nd Right panel as a short longwall panel (2100 feet long) of standard width (730 feet). This changes the previously approved plan that had the 2nd Right longwall panel as a full length panel to the east outcrop but of narrow width (less than 400 feet). Interwest as justification for the modification, states a combination of reasons.

First:

The original plan would require the 2nd Right gate entries to skirt the edge of two old mines and their associated mine workings to achieve a 400 foot longwall panel width. The indication of the extent of the old mine workings are noted in mine maps but are not verifiable without underground drilling and would pose a risk to the 2nd Right entries.

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Second:

Interwest would be required to do extensive exploratory drilling in advance of the gate entry development to assure mining does not break into old workings, as this potential hazard has been highlighted by national events. The extra drilling would add costs and potentially slow entry development.

Third:

Narrow longwall widths reduce budgeted longwall productivity as compared to standard widths of 700+ feet

Since submission, Interwest has drilled a horizontal exploratory hole parallel to the proposed 2nd Right gate entries for the short, normal width panel and has found all minable coal. The proposed longwall panel therefore, has lower risk involved as compared to the narrow long panel.

BLM suggested to Interwest an option of developing the inby narrow panel, then widen the development for the outby length of the panel. However, this option would require additional underground construction, an additional longwall move, and increase higher cost continuous miner development - all adding to operating costs. Interwest has submitted a letter with confidential cost information that concludes this option would be uneconomic given the realities of the mining costs at this mine.

By preparing a confidential competitor operating cost comparison, BLM has found the Energy West analysis to be essentially valid, that the inby narrow panel is not economic for Energy West to recover. The operating costs at this mine are such that the coal produced would be at a cost above market. Further, Energy West has provided written confirmation of their (regulated) requirements to meet the open market selling price.

Therefore, due to the operating costs of the operator of the Deer Creek mine, maximum economic recovery will be achieved without the recovery of the inby 2nd Right block of coal (please see attached map: "Deer Creek Mine 2ND Right Alternate).

The new configuration of the 2nd Right longwall panel will recover about 50,000 tons less than the original planned narrow panel, assuming the narrow panel was able to recover the full length projection. It will also leave the inby longwall coal block containing a projected 300,570 tons of recoverable coal. However, in this case, the inby narrow coal block is adjacent to the outcrop of the coal seam and could be recovered at some future date when (and if) sufficient market price allows recovery.

This approval of a minor modification to an existing R2P2 is Categorically Excluded from National Environmental Policy Act (NEPA) analysis in that no new surface disturbance will occur from this action as stated in Overview of BLM's NEPA Process, February 1997, Appendix 2, page 2-7 (F)(7).

The modification of the R2P2 complies with the Mineral Leasing Act of 1920, as amended, the regulations at 3480, and the lease terms and conditions and will achieve maximum economic recovery of the federal coal. The modification to develop and extract the 2nd Right longwall as configured in the submission is approved. A copy of the approved mine map is enclosed (Drawing number: R2P2 – DC – HIA dated October 28, 2002) along with the previous R2P2 approved plan (Drawing number: R2P2 – DC – HIA dated October 8, 2001) that is being replaced for the 2nd Right longwall mining area . If you have any questions, please contact Stephen Falk at the Price Field Office (435) 636-3605 or Jeff McKenzie of my staff at (801) 539-4038.

Sincerely,

James F. Kohler
Chief, Solid Minerals

Enclosures

Prior Approved Mine Map showing 2nd Right
Approved Modified Mine Map showing 2nd Right

cc: UT-070, Price, Utah (w/encl.)
Utah Division of Oil Gas and Mining (w/encl.)
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801
Energy West Mining Company (w/encl.)
P. O. Box 310
Huntington, Utah 84528

Map(s) is kept with this letter located in the Public Information Center of our Salt Lake City office.