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MAY 15 2006

DIV. OF OIL, GAS & MINING

May 1, 2006

Ms. Mesia Nyman, District Ranger
Manti-LaSal National Forest
Ferron/Price District Ranger
115 West Canyon Road
P.O. Box 310
Ferron, Utah 84523

Stroming
6/15/0018

**RE: NOTICE OF INTENTION TO CONDUCT MINOR COAL
EXPLORATION - UTAH STATE COAL LEASE ML-48258;
PACIFICORP, ENERGY WEST MINING CO., EMERY COUNTY, UTAH**

PacifiCorp, by and through its wholly-owned subsidiary, Energy West Mining Company ("Energy West") as mine operator, submitted an Notice of Intention to Conduct Minor Coal Exploration - Utah State Coal Lease ML-48258 on October 14, 2005. The proposed drill sites are located within the current Utah State Coal Lease ML-48258, in Section 7, Township 16 South, Range 7 East and Sections 11, 12, 13, and 15, Township 16 South, Range 6 East, Salt Lake Base and Meridian. Drilling will occur on lands in which the surface is administered by the U.S.D.A. Forest Service (USFS) and the subsurface by the State of Utah.

As stated in the Notice of Intention to Conduct Minor Coal Exploration plan, Energy West proposed initiating helicopter assisted exploration activities on July 15, 2006. On February 14, 2006, Energy West in writing requested to modify the startup date to May 15, 2006.

In a letter dated March 1, 2006, Energy West was notified by the District Ranger that the request for May 15th startup date was denied for the following reasons:

- There is potential for detrimental impacts to elk calving and deer fawning since the project is proposed within the calving and fawning habitat. The normal timing restriction consistent with the Forest Plan is from May 1 to July 5.
- The proposed project could adversely impact goshawks. Nine of the eleven proposed drill holes are located within or adjacent to suitable goshawk nesting habitat. One of the drill holes is located within a ½ mile of a goshawk nest that was active in 2005. Goshawk surveys must be completed prior to beginning project activity within suitable habitat. Goshawk surveys consistent with accepted protocol can begin on June 12th. If active nests are found, those nests must be protected with buffer zones as specified in the Forest Plan goshawk amendment and recommended by the U.S. Fish and Wildlife Service.

Huntington Office:
(435) 687-9821
Fax (435) 687-2695
Purchasing Fax (435) 687-9092

Deer Creek Mine:
(435) 687-2317
Fax (435) 687-2285

- The Mill Fork Lease Stipulation #14 states "In order to protect big-game wintering area, elk calving and fawning areas, sage grouse strutting areas, and other key Wildlife Habitat and/or activities, specific surface uses outside the mine development area may be curtailed during specified periods of the year."

In the February 14, 2006 letter requesting the modification of the startup date, Energy West illustrated the purpose of the exploration plan and the length of time to acquire desperately needed data. Based on the reasons for the denial outlined above, Energy West felt compelled to respond by providing additional information for each reason cited above. Energy West requests that the denial be reconsidered and withdrawn, and the date for exploration to begin be changed to June 1, 2006, with modifications to the drill plan outlined below.

Potential Impacts to Big Game:

Energy West recognizes the big game issues related to the calving and fawning habitat of the proposed project area. As demonstrated in the Wildlife Buffer Subcommittee presentation in February 2006, helicopter supported drilling activities require extremely small areas in order to conduct the exploration activities (typical sites are less than 160 square feet). All helicopter activities are minimized to include only flights necessary to maintain drilling functions and are restricted to activities of the area proposed. Under normal operating conditions, the helicopter visits each site approximately four times per/day, including mobilization of crews. Remote helicopter supported drill rig consists of a single engine equipped with spark arrestor and muffler system to minimize fire potential and noise. All personnel involved in the exploration activities are trained to not harass or harm wildlife.

Potential conflicts with the Northern Goshawk:

As stated in the: State of Utah School and Institutional Trust Lands Administration (SITLA) Access Road on East Mountain Final Environmental Impact Statement prepared by the Forest Service (page 76), "Goshawk nest sites are usually located in dense, mature forests with relatively large trees, near water, and on benches of relatively little slope." On page 78 the Final Environmental Impact Statement states, "In order to reduce potential direct impacts to the goshawk, known goshawk territories will be monitored prior to implementation of project activity. If a territory is active, no project related activity would occur within a 30-acre buffer around the active nest between March 1 and September 30. In addition, no construction, drilling activity or commercial traffic will be allowed within 0.5 mile of an active goshawk nest between March 1 and August 15, unless a Forest Service biologist determines that the activity would not likely lead to nest abandonment or reduce survival potential for fledglings."

In past drilling activities associated with the Mill Fork lease, Forest Service biologists have identified two active goshawk territories, one in the northwest quarter of Section 14 and the other in southeast quarter of the southwest quarter of Section 24, Range 6 East, Township 16 South. Proposed drilling activities and associated flightlines for 2006 have been situated to minimize potential impacts to the goshawk territories. In 2003, Energy West was allowed to initiate drilling activities in late May due to the continuing drought experienced in Central Utah. As illustrated in the figures 1 and 2, the exploration

activities (drill hole locations and flightlines) proposed for in 2006 are in the same vicinity as the 2003 project.

As indicated above (second bullet point), nine of the eleven proposed drill holes are located within or adjacent to suitable goshawk nesting habitat, but only one of the proposed holes is located within a ½ mile of a goshawk nest that was active in 2005. In the February 14, 2006 letter to the Forest Service, Energy West indicated the purpose of drilling drill holes 2006-1 through 2006-9 is to define the orientation of the long term mains in both the upper seam (Blind Canyon) and lower seam (Hiawatha). These are our priority drill sites for 2006. Proposed drill locations 2006-10 and -11 are lower priority in scheduling and may or may not be drilled this year depending on what is found in the previous drill holes. Energy West is cognizant of the goshawk habitat adjacent to the proposed drill sites, especially the southern-most proposed hole (2006-9). To alleviate any potential impacts to goshawk habitat, Energy West proposes initiating activities first on drill holes 2006-3 through 2006-7. Drilling of 2006-8 and 2006-9 would be delayed until confirmation of goshawk activity or inactivity to the southwest of these sites.

As stated in the March 1st letter from the District Ranger, goshawk surveys must be completed prior to beginning project activity within suitable habitat. Goshawk surveys consistent with accepted protocol can begin on June 12th. If active nests are found, those nests must be protected with buffer zones as specified in the Forest Plan goshawk amendment and recommended by the U.S. Fish and Wildlife Service. Energy West commits to conducting the goshawk surveys utilizing a qualified biologist and protocol acceptable to the Forest Service within the habitat identified in previous surveys. If an active nest is located within the project area which conflicts with the southern-most drill location, Energy West will either delay activities until August 15th or eliminate the site.

During the past six years Energy West has conducted helicopter exploration activities in and adjacent to the Mill Fork Canyon near the same areas proposed for 2006. Activities included exploration sites with associated helicopter flight paths. Goshawk activity has remained relatively consistent in the Mill Fork area, with nests being active even near existing roadways. This gives credence to the fact that helicopter supported coal exploration has limited, or no, impacts to goshawk activity in a region with near endless habitat.

Energy West stresses that the startup date prior to July 5th is necessary to evaluate the geologic setting and to determine the long term mine plan layout of the Deer Creek Mine. This information is vital to making decisions that will have a huge impact on the future of the mine. As suggested above, Energy West proposes to initiate drilling activities on sites situated beyond the goshawk buffer zone until the active status is verified by a qualified biologist. Energy West has demonstrated a proven record of its environmental stewardship in the region and in its innovative use and development of helicopter assisted drilling. We believe that the Forest Service should encourage other mine operators to adopt this technology in terrain similar to Mill Fork Canyon as a means to protect the environment and significantly lessen, or eliminate, impacts to wildlife rather than placing undue unilateral restrictions on a proven method that make it difficult to justify the increased costs., but yet we are willing to do it for both causes.

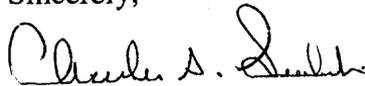
2006 Mill Fork Exploration
Modified Startup Date Request Response
May1, 2006
Page 4

Therefore, we respectfully request that you reconsider your earlier position and work with us in achieving a mutually agreeable earlier start-up date of June 1, as suggested. Your timely action on this request is very much appreciated.

If you require any additional information, please call me at (435) 687-4720.

Thank you for your assistance in this matter.

Sincerely,



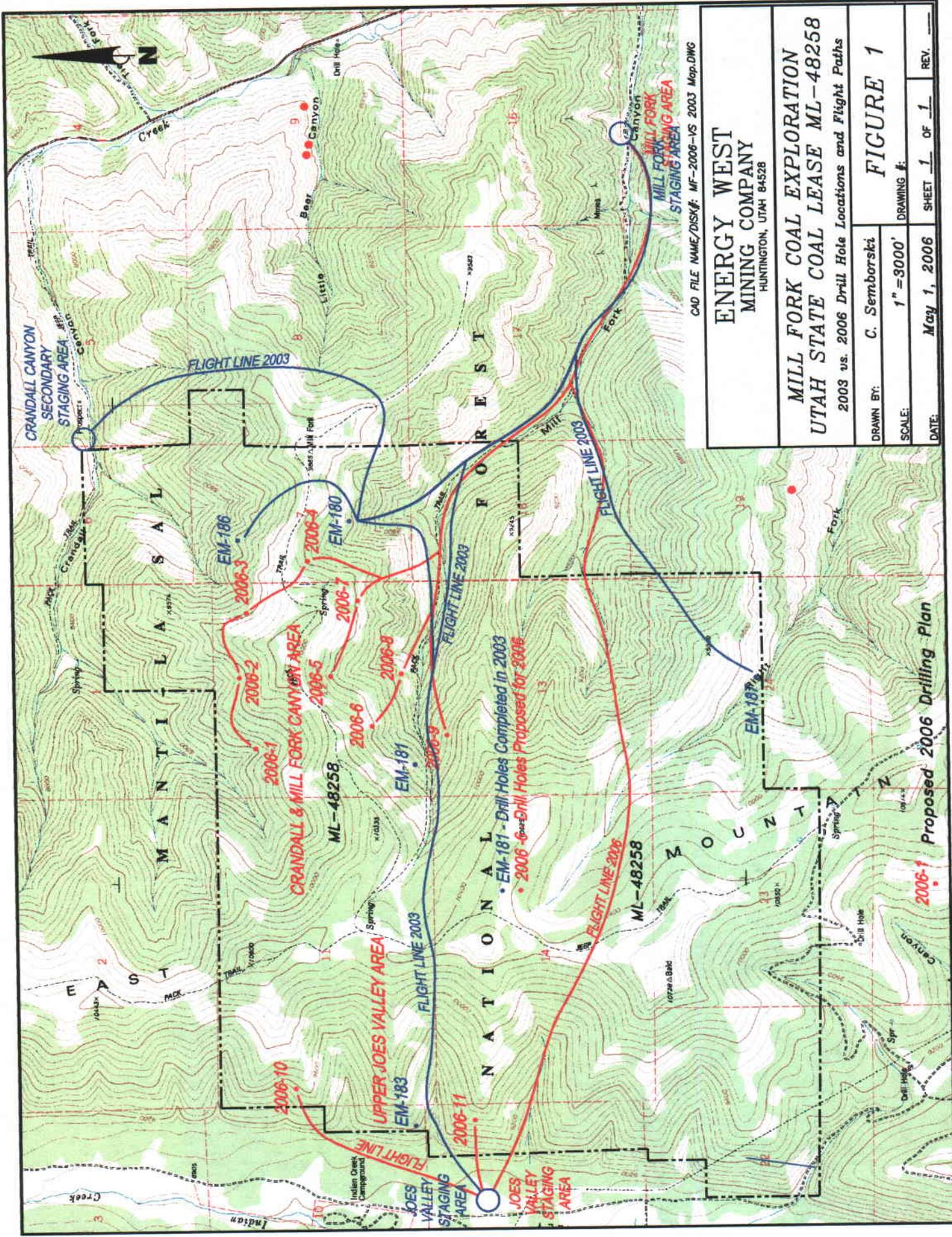
Charles A. Semborski
Manager Geology/Permitting

Enclosures

Figures

Correspondence Letters

cc: DOGM, (Salt Lake Office) w/encl.
Chris Colt, (DWR - Price Office) w/encl.
Don Stephens, (BLM - Price Office) w/encl.
Jeff McKenzie, (BLM - Salt Lake Office)) w/encl.
SITLA
Doug Johnson
Scott Child
File



CAD FILE NAME/DISK#: MF-2006-VS 2003 Map.DWG

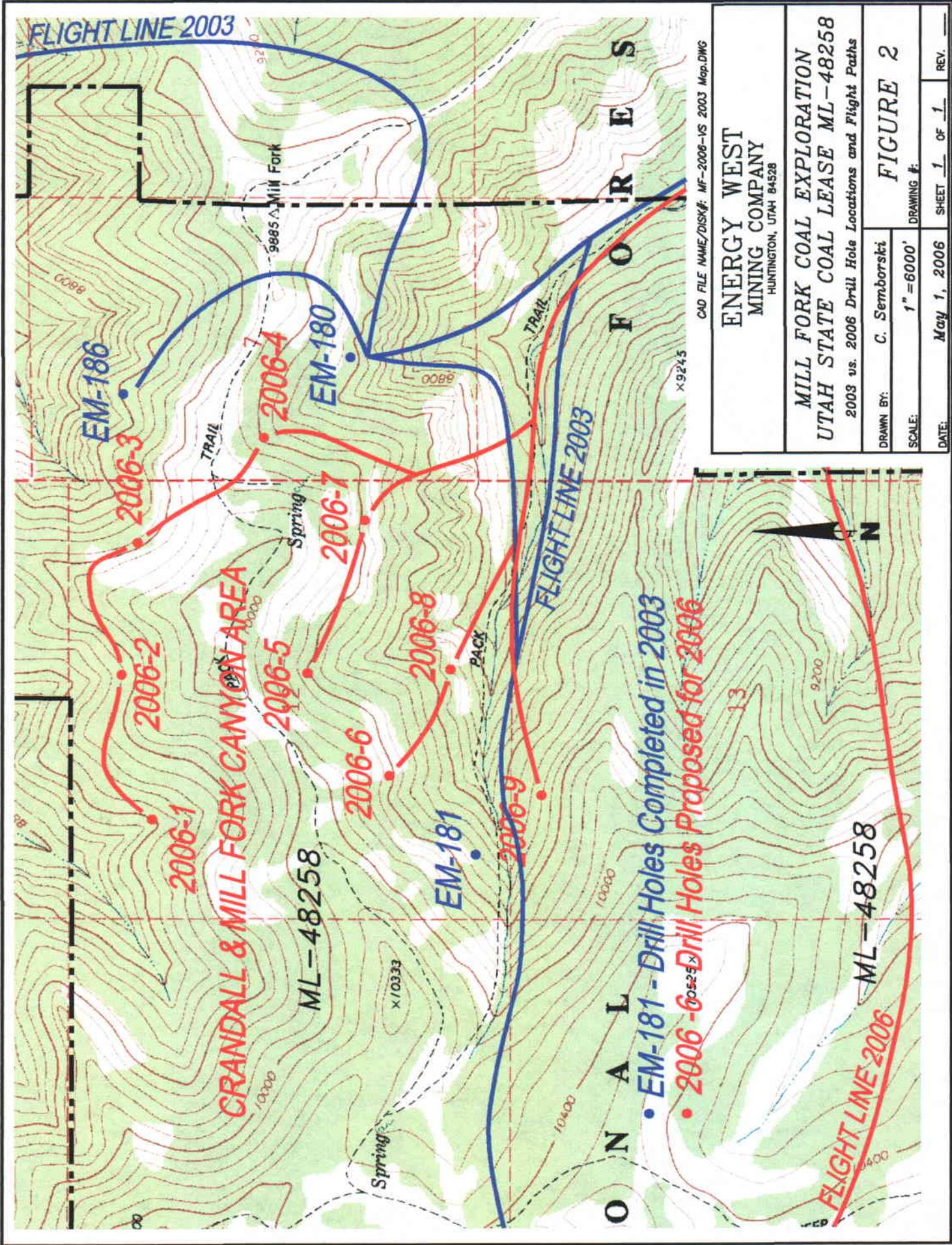
**ENERGY WEST
MINING COMPANY**
HUNTINGTON, UTAH 84528

**MILL FORK COAL EXPLORATION
UTAH STATE COAL LEASE ML-48258**
2003 vs. 2006 Drill Hole Locations and Flight Paths

DRAWN BY:	C. Sembroski	
	DRAWING #:	
SCALE:	1" = 3000'	
DATE:	May 1, 2006	REV. 1

FIGURE 1

2006-1 Proposed 2006 Drilling Plan



CAD FILE NAME/DISK#: MF-2006-VS 2003 Map.DWG

**ENERGY WEST
MINING COMPANY**
HUNTINGTON, UTAH 84528

**MILL FORK COAL EXPLORATION
UTAH STATE COAL LEASE ML-48258**
2003 vs. 2006 Drill Hole Locations and Flight Paths

DRAWN BY: C. Sembroski
SCALE: 1" = 6000'
DATE: May 1, 2006

FIGURE 2
DRAWING #:

SHEET 1 OF 1

REV.

- EM-181 - Drill Holes Completed in 2003
- 2006-6 - 2006-9 - Drill Holes Proposed for 2006

**2006 Mill Fork Exploration
Modified Startup Date Request Response
May1, 2006**

Energy West Revised Startup Date Letter - February 14, 2006



PO Box 310
Huntington, Utah 84528

February 14, 2006

John Blake
Minerals Resource Specialist
State of Utah
School & Institutional Trust Lands Administration
675 East 500 South, Suite 500
Salt Lake City, UT 84102

Utah Coal Regulatory Program
Division of Oil, Gas and Mining
1594 North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

Mr. Tom Lloyd, Geologist
U.S. Forest Service
Manti-LaSal National Forest
599 West Price River Drive
Price, Utah 84501

**RE: NOTICE OF INTENTION TO CONDUCT MINOR COAL
EXPLORATION - UTAH STATE COAL LEASE ML-48258;
PACIFICORP, ENERGY WEST MINING CO., EMERY COUNTY, UTAH**

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Huntington Office:
(435) 687-9821
Fax (435) 687-2695
Purchasing Fax (435) 687-9092

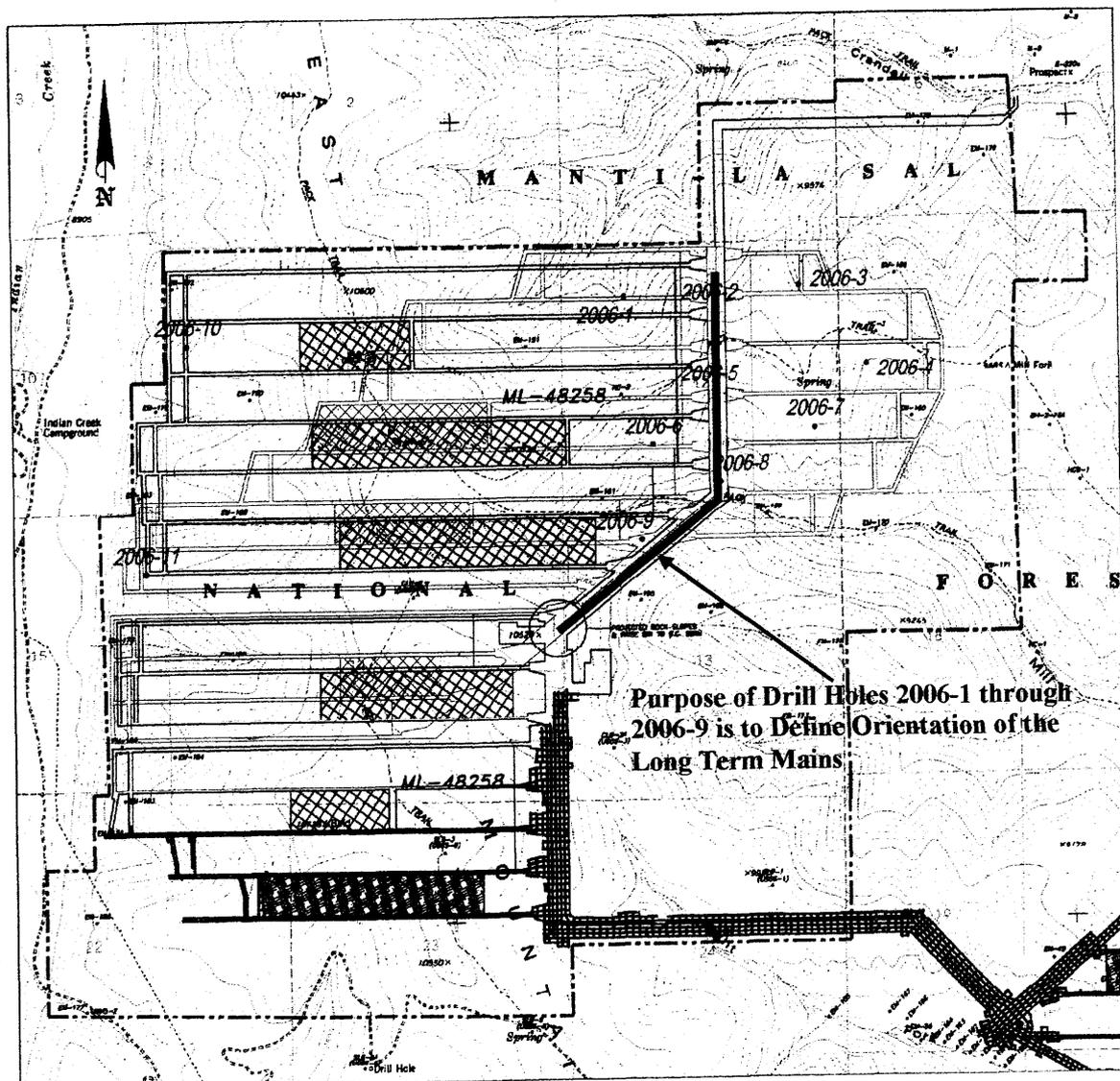
Deer Creek Mine:
(435) 687-2317
Fax (435) 687-2285

Trail Mountain Mine:
(435) 748-2140
Fax (435) 748-5125

**2006 Mill Fork Exploration
Modified Startup Date Request
February 14, 2006
Page Two**

As stated in the Notice of Intention to Conduct Minor Coal Exploration plan, Energy West proposed initiating exploration activities on July 15, 2006. With this notification, Energy West hereby requests modifying the startup to May 15, 2006.

As shown on the following figure, the purpose for drilling drill holes 2006-1 through 2006-9 (shown in red, example 2006-1) is to define the orientation of the long term mains in both the upper seam – Blind Canyon (mine layout in cyan) and lower seam - Hiawatha (mine layout in black). These are our priority drill sites for 2006. Proposed drill hole locations 2006-10 and 11 are lower priority in scheduling and may or may not be drilled this year depending on budgetary constraints. Energy West proposes utilizing two drill rigs simultaneously to minimize the duration of the project.



**2006 Mill Fork Exploration
Modified Startup Date Request
February 14, 2006
Page Three**

Based on previous exploration programs, the proposed mine plans for each seam have been developed based on the extent of the reserve base for each seam. Placement of the long term stacked mains (Blind Canyon mine workings superimposed directly over the Hiawatha mine workings) is currently dictated by the reserve margin in the Hiawatha seam. Mining in the Blind Canyon will reach the mains intersection pivot point by September 2006. To develop mine plans for each seam which maximizes economic recovery, additional information is required to prior to September 2006. Modifying the startup date to May 15, 2006 will allow Energy West the necessary time to conduct the exploration program, evaluate the data and adjust the mine plans to accommodate the reserve base for each seam.

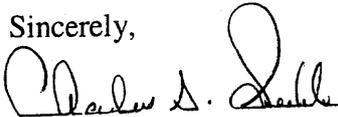
Over the past ten years, Energy West has successfully utilized helicopter supported drilling in and adjacent to the Mill Fork Lease in remote areas where road construction was not feasible. We believe that the techniques developed in these ten years enable us to perform this exploration work with little to no effect on wildlife or the environment. Startup dates for the various programs in years past have varied from as early as May 29th in 2003 to as late as July 15th in 2001. Energy West has strategically selected the proposed drill hole locations to minimize environmental impacts and to maximize geologic data. As outlined in the Notice of Intention, no site preparation (building roads or drill pads) will be necessary. Energy West goes to great extents to minimize environmental impacts, including selecting minimal impact drilling techniques, developing flight paths to minimize impacts to raptors, protecting existing vegetation with a protective cover, selecting drill equipment that can be leveled without excavating the ground, and complete cleanup and reclamation of drill sites. In addition to the environmental commitments listed above, Energy West commits to assisting the regulatory agencies in evaluating the potential impacts to wildlife associated with short duration helicopter assisted coal exploration, if any. We believe the environmental advantages offered by this exploration technique justify the May 15 start date.

Energy West stresses the startup date of May 15th is necessary to evaluate the geologic setting and to determine the long term mine plan layout of the Deer Creek Mine. Your timely action on this request is appreciated.

If you require any additional information please call me at (435) 687-4720.

Thank you for your assistance in this matter.

Sincerely,



Charles A. Semborski
Manager Geology/Permitting

cc: Steve Demczak, (DOGM-Price Office) w/encl.
Chris Colt, (DWR) w/encl.
Don Stephens (BLM) w/encl.
File

**2006 Mill Fork Exploration
Modified Startup Date Request Response
May1, 2006**

Letter From SILTA Approving Request – March 6, 2006



State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Jon M. Huntsman, Jr.
Governor

Kevin S. Carter
Director

675 East 500 South, Suite 500
Salt Lake City, Utah 84102-2818
801-538-5100
801-355-0922 (Fax)
<http://www.trustlands.com>

March 6, 2006

Mr. Charles M. Semborski
Manager Geology/Permitting
Energy West Mining Co.
P.O. Box 310
Huntington, UT 84528

RE: Revised Start-up Dates
Proposed Exploration Drilling 2006
Coal Lease ML 48258 (Mill Fork Tract)

Dear Mr. Semborski:

Trust lands is in receipt of your letter of February 14, 2006, requesting to move the start-up date to May 15th for 2006 exploration drilling planned upon the SITLA Mill Fork coal tract.

I understand that operations within the Deer Creek Mine are currently "ramping up" to the Blind Canyon Seam within the Mill Fork tract and that the proposed 2006 drilling program is critical in planning for maximum economic recovery of the coal reserves. I also understand that due to the large number of drill-holes needed and the relatively short drilling season at such high elevations in the mountains, it is essential that operations commence on or around May 15 in order to complete the required drilling and reclamation work this year.

Energy West Mining Company is authorized to access and explore coal resources within the SITLA Mill Fork coal tract as a designated operator of Pacificorp under coal lease #ML 48248. The Trust Lands Administration endorses the earlier, May 15th, proposed startup date for 2006 exploration drilling upon the SITLA Muddy coal tract and encourages all other effected government agencies to timely issue permits for this project. Questions or comments regarding this matter may be directed to me at (801)538-5152.

Sincerely,

John T. Blake
Trust Land Specialist

CC: Tom Faddies, SITLA
Pam Grubaugh-Littig, DOGM
Jim Kohler, BLM
Sue Burger, BLM
Dale Harber, USFS

**2006 Mill Fork Exploration
Modified Startup Date Request Response
May1, 2006**

Letter From USFS Denying Request – March 1, 2006



United States
Department of
Agriculture

Forest
Service

Manti-La Sal
National Forest

Ferron/Price Ranger District
Ferron Work Center
115 West Canyon Road
P.O. Box 310
Ferron, UT 84523
Phone # (435) 384-2372
Fax # (435) 384-3296

File Code: 2820-4

Date: March 1, 2006

Charles A. Semborski
Manager Geology/Permitting
Energy West Mining
Box 310
Huntington, UT 84528

Dear Mr. Semborski,

I have reviewed your letter dated February 14, 2006 regarding Notice of Intention to Conduct Minor Coal Exploration – Utah State Coal Lease ML-48258; PacifiCorp, Energy West Mining Co., Emery County, Utah. My intent is to facilitate helicopter drilling on the State lease consistent with lease rights and Forest Plan direction for protection of non-coal interest on NFS lands.

It is understood that you are proposing to start helicopter assisted drilling operations on May 15, 2006. The priority holes you desire to drill during the 2006 field season are 2006-1 through 2006-9. The purpose of this is to define the orientation of the long term mains in both Blind Canyon and the Hiawatha coal seams. It is understood that additional geologic data is needed prior to September 2006 to make the necessary mine plan decisions needed to achieve maximum economic recovery of the mineable coal seams.

In recent years I have made special efforts to assure your drilling operations were permitted in an agreed upon time frame consistent with company desired startup times for drilling operations, while adhering to wildlife timing restrictions contained in the Manti-La Sal Forest Plan. The usual start-up dates are after the calving and fawning season that ends on July 5. This allowed time to conduct necessary goshawk surveys and prepare the necessary wildlife reports to make an informed decision with Conditions of Approval to avoid impacts to wildlife. There was a one time exception granted in the 2003 drilling plan authorizing May 28, 2003 as the startup date. It was determined by the Forest biologist there would be no effect to elk calving and deer fawning due to reduced snow pack that year. It was also determined there was no effect to goshawk because drilling or helicopter flight paths were not proposed in goshawk habitat.

Implementation of your proposed project will be delayed by required goshawk survey protocols consistent with Forest Plan direction for protection of seasonal wildlife uses. We received your application after the field season and were not able to conduct the required goshawk surveys at the time; these surveys must be conducted from mid June to early July of each year. I have decided not to accelerate the processing or timing of your permit due to potential impacts to wildlife.

- There is potential for detrimental impacts to elk calving and deer fawning since the



project is proposed within calving and fawning habitat. The normal timing restriction consistent with the Forest Plan is from May 1 to July 5

- The proposed project could adversely impact nesting goshawks. Nine of the eleven proposed drill holes are located within or adjacent to suitable goshawk nesting habitat. One of the proposed drill holes is located within a ½ mile of a goshawk nest that was active in 2005. Goshawk surveys must be completed prior to beginning project activity within suitable habitat. Goshawk surveys consistent with accepted protocol can begin on June 12th. If active nests are found, those nests must be protected with buffer zones as specified in the Forest Plan goshawk amendment and recommended by the U.S. Fish and Wildlife Service.
- The Mill Fork Lease Stipulation #14 states "In order to protect big-game wintering area, elk calving and deer fawning areas, sagegrouse strutting areas, and other key Wildlife Habitat and/or activities, specific surface uses outside the mine development area may be curtailed during specified periods of the year." In this case, it is appropriate to apply timing restrictions.

The engineering staff has received your application for the extension of your existing Road Use Permit. In this request you specify operation between May 15th and June 30th. The dates are outside the normal dry season (July 1 to October 1) authorized under part 3.h.(3) of the Road Use Permit. Any commercial use prior to July 1 is contingent upon review of road conditions by our engineering staff to ensure roads have dried sufficiently to support your operations. Forest Road 50040 is usually closed until after Memorial Day weekend due to wet conditions.

I anticipate having a Decision signed and a Special Use Permit issued so that you can start drilling operations on July 5, 2006. However, if active goshawk nests are found in the area where drilling is proposed, additional timing restrictions could be required for hole locations within the protection zone. This could include a ½ mile buffer around active nests through August 15th and a 30 acre buffer around the nest until September 30th.

The Forest Service is considering doing a programmatic environmental analysis to determine the affect of helicopter assisted drilling for coal drilling operations. As part of the analysis, impacts to goshawk and other species of concern would be considered. However; this could take two years to complete and may or may not help to accelerate the required to process future drilling request.

Should you have questions contact Tom Lloyd at 636-3596.

Sincerely,

Tom Lloyd acting for

MESIA NYMAN
District Ranger

cc: John Blake, Mary Ann Wright, Diane Whittington, USFWS