



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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IN REPLY REFER TO:

3482

UTU-84285, ML-48258

(UT-923)

Mr. Pete Rutledge
 Office of Surface Mining
 P. O. Box 46667
 Denver, Colorado 80201-6667

SEP 22 2006

RECEIVED

SEP 26 2006

DIV. OF OIL, GAS & MINING
 UTU-84285, Hiawatha

Re: Resource Recovery and Protection Plan (R2P2), Federal Coal Lease and Blind Canyon Seams, Deer Creek Mine

Dear Mr. Rutledge:

On September 8, 2006, the Bureau of Land Management (BLM) received a request from Interwest Mining Company to revise their existing R2P2. A new R2P2 is required for a proposed action involving a new lease. The BLM has reviewed the proposed R2P2 modification from Interwest Mining Company, and has determined the submitted material to be adequate for the new R2P2, and that no further submission is required. This letter summarizes the BLM's findings and decision regarding this new R2P2.

Interwest Mining Company's wholly owned subsidiary, Energy West Mining Company, has submitted a permit application package (PAP), with the R2P2 included, to add the newly acquired Federal coal lease areas to the Deer Creek Mine permit. The lease, called the Mill Fork West Lease, will add approximately 214 acres of Federal coal land to the permit area. This permitting action will allow the company to mine (exclusively by underground methods) approximately 333,000 tons of additional recoverable coal.

The inclusion of this lease in the permit area will allow for maximum coal extraction between the western boundary of the Mill Fork State Lease (ML-48258) and the surface location of the Joes Valley Fault. The BLM has inspected this area a number of times (including on July 21, 2006, May 23, 2006, April 27, 2006, and March 17, 2006), and agrees that the inclusion of this lease in the Mine Permit provides for the extraction of recoverable coal which would otherwise be bypassed. Bypassed coal would also include State Institutional Trust Lands coal located on an adjacent state lease.

The R2P2 addresses all the required items per 43 CFR 3482.1(b), and shows that mining is planned for all areas where potentially-minable coal is currently known to be located. All recoverable coal in the two seams will be accessed from existing mine workings on the adjacent State Lease of the Deer Creek Mine. No surface facilities are planned for this permit addition.

The planned coal extraction areas of the R2P2 were determined by the BLM to comply with the lease terms and conditions, including special lease stipulation 19, which restricts subsidence in the proximity of the surface expression of the Joes Valley Fault. Any additional restrictions placed on

the coal recovery, as depicted in this R2P2, would require consultation with the authorized officer of the BLM in order to properly address Mineral Leasing Act (MLA) requirements.

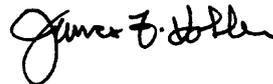
Interwest proposes to mine from the existing western boundary of the State Lease to a buffer zone determined by the surface location of the Joes Valley Fault. The company's existing R2P2 grants mining up to the Mill Fork State Lease (ML-48258) boundary line. Interwest's plans for mining in the new lease include production associated primarily with the development of gateroads, bleeders, and set-up rooms. Limited longwall production (64,000 tons) is also planned. This mining will be conducted from inside the mine, and will have no surface impacts. Coal recovery will be maximized based on geologic, engineering, safety, environmental and economic factors. A change to the mine plan based on any one of these factors will be reviewed and subject to approval by the BLM.

Total development and retreat longwall mining tonnage on this Federal lease are projected to be 268,000 and 64,000 tons, respectively. An added value of these leasing and permitting actions is that they allow an estimated 1,803,000 additional tons to be recovered on the adjoining State Lease through the process of lengthening several projected longwall panels. Until the new lease is incorporated into the existing LMU, tonnages mined on the Mill Fork West Federal lease will not be applied for diligence purposes.

The BLM finds the R2P2, as submitted, to be in compliance with the Mineral Leasing Act of 1920, as amended, the lease terms and conditions, and the regulations at 43 CFR 3480. The BLM has also determined that this R2P2 (as received by BLM on September 8, 2006) will achieve maximum economic recovery (MER) of Federal coal, due in part to the pending reversion. We therefore recommend that the Secretary approve the R2P2 as part of the Federal mine plan.

If you have any questions, please contact Steve Rigby at the Price Field Office (435) 636-3604 or Jeff McKenzie of my staff at (801) 539-4038.

Sincerely,



James F. Kohler
Chief, Solid Minerals Branch

Enclosure
Approved Mine Maps

cc: Division of Oil Gas and Mining, State of Utah
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UT-070, Price, Utah

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