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State of Utah
DEPARTMENT OF NATURAL RESOURCES

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March 27, 2008

Kenneth S. Fleck, Manager of Geology and Environmental Affairs
Energy West Mining Company
P. O Box 310
Huntington, Utah 84528

Subject: Letter Of Intent to Conduct Minor Exploration, PacifiCorp, Deer Creek Mine, C/015/0018, Task ID #2911, Outgoing File

Dear Mr. Fleck:

PacifiCorp submitted an exploration plan to drill a total of eleven exploration holes within the Mill Fork Coal Lease ML-48258 in 2008. The plan is formatted to follow the applicable portions of Coal Exploration Rules R645-200 through R645-203.

The helicopter supported drilling is planned for May 15 to July 15, 2008. The Permittee anticipates completing all drilling and reclamation activities associated with this project within approximately 60 days upon implementation.

The above-referenced amendment is conditionally approved upon receipt of three complete clean copies prepared for approval and the permittee agreeing on the three conditions set forth below. Please provide copies by April 28, 2008.

The permittee has committed to comply with the requirements of the following Permit Conditions, as specified, and in accordance with the requirements of:

R645-200-230, Prior to conducting minor exploration, the Division must receive concurrence from U. S. Forest Service.

R645-202-232, Prior to conducting minor exploration, the applicant must receive Special Road Use Permits from the U. S. Forest Service.

R645-202-234, The applicant must show necessary proof of obtaining water rights to conduct drilling in the exploration area.

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UTAH DNR OIL, GAS & MINING

If you have any questions, please feel free to call me at (801) 538-5262 or Stephen J. Demczak at (435) 613-3732.

Sincerely,

James D. Smith
Permit Supervisor

an
Enclosure
cc: Price Field Office
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State of Utah

Utah Oil Gas and Mining

Coal Regulatory Program

Deer Creek Mine
Notice of Intent to Conduct Minor Coal Exploration
C/015/0018
Task ID #2911
Minor Exploration Analysis and Findings
March 27, 2008

TABLE OF CONTENTS

INTRODUCTION 1
SUMMARY OF OUTSTANDING DEFICIENCIES 3
SUMMARY OF PERMIT CONDITIONS 5
COAL EXPLORATION 7
SCOPE AND RESPONSIBILITIES 7
Archeology 7
REQUIREMENTS FOR NOTICE OF INTENTION TO CONDUCT MINOR COAL EXPLORATION 7
COMPLIANCE DUTIES 9
OPERATIONAL STANDARDS 9
Biology 9
Roads 10
Topsoil 10
Diversions of Overland flows and streams 10
Hydrologic Balance 11
Acid- or toxic forming materials 11
RECLAMATION STANDARDS 11
Approximate original contour 11
Boreholes 12
Facilities and Equipment 12
PUBLIC AVAILABILITY OF INFORMATION 13

TABLE OF CONTENTS

EXPLORATION TECHNICAL ANALYSIS

INTRODUCTION

Energy West is proposing to conduct a helicopter-assisted minor coal exploration drilling during the year 2008. The permittee has plans to core-drill two holes by using this method. The drilling will take place in Crandall Canyon. The proposed drill is located within the current Utah State Coal Lease ML-48258, and the United States Forest Service administrates the surface land. This project is to analyze seam characteristics and coal thickness.

The holes will be drilled using a helicopter-transported drill rig in accordance with the Utah State Coal Lease ML-48258 application for the Notice of Intention of Conduct Minor Coal Exploration. Less than 250 tons of coal will be removed. The permittee has recently conducted minor exploration using this method at Mill Fork Canyon and adjacent areas.

The Division received a conditional approval from School and Institutional Trust Lands Administration on November 29, 2007 and US Forest Service with this proposed notice of intent to conduct minor coal exploration on coal lease ML-48258.

The minor exploration project is scheduled to start on May 15, 2008 and be completed by July 15, 2008.

INTRODUCTION

SUMMARY OF OUTSTANDING DEFICIENCIES

The Technical Analysis regarding the proposed permit changes is not complete at this time, pending submittal of additional information by the Permittee and further review by the Division, to address outstanding deficiencies in the proposal. A summary of those outstanding deficiencies is provided below. Additional comments, concerns, and deficiencies may also be found within the analysis and finding make in the Draft Technical Analysis that have not been presented in this summary. Upon finalization of this review, any outstanding deficiencies will be evaluated for compliance with the regulatory requirements. Such deficiencies may be conditioned to the requirements of the permit issued by the Division, result in denial of the proposed permit changes, or may result in other executive or enforcement actions as deemed necessary by the Division at that time to achieve compliance with the Utah Coal Regulatory Program.

Accordingly, the permittee must address those deficiencies as found within this Draft Technical Analysis and provide the following, prior to approval, in accordance with the requirements of:

SUMMARY OF PERMIT CONDITIONS

As determined in the analysis and findings of this Technical Analysis, approval of the plan is subject to the following Permit Conditions. The applicant is subject to compliance with the following Permit Conditions and has committed to comply with the requirements of these conditions as referenced in the approved Permit.

Accordingly, the permittee has committed to comply with the requirements of the following Permit Conditions, as specified, and in accordance with the requirements of:

This Applicant has met the minimum requirements of the Notice of Intent to conduct minor exploration on state lease ML-48258. However, there are two conditions attached to the TA as follows:

R645-200-230, Prior to conducting minor exploration, the Division must receive concurrence from U. S. Forest Service.

R645-202-232, Prior to conducting minor exploration, the applicant must receive Special Road Use Permits from the U. S. Forest Service.

R645-202-234, The applicant must show necessary proof of obtaining water rights to conduct drilling in the exploration area.

This Notice of Intent is recommended for approval with the above conditions attached and deficiencies are met.

SUMMARY OF PERMIT CONDITIONS

COAL EXPLORATION

Regulatory Reference: R645-200.

SCOPE AND RESPONSIBILITIES

Regulatory Reference: 30 CFR 772.1; 30 CFR 772.10; 30 CFR 772.11; R645-100-400; R645-200-100; R645-200-200; R645-201-100.

Analysis:

PacifiCorp has proposed to conduct minor exploration by drilling two holes within the Mill Fork Coal Lease ML-48258 in the year 2008.

The permittee has committed to comply with the requirements of R645-200 through R645-203.

This minor coal exploration will be conducted on Utah State Coal Lease ML-48258 and the United States Forest Service administrates the surface land; therefore, 43 CFR Part 3480-3487 does not apply.

Archeology

Analysis:

Page 8 of the application references a Class I literature search and a Class III ground survey of the proposed exploration sites. A Class I literature search and a Class III ground survey of the proposed exploration sites have been completed by Earth Touch Inc. and submitted to the Division as part of the application. The ground survey indicated that there were no cultural resources identified and therefore none listed as eligible in the area proposed for the drilling activities. SHPO concurrence for the exploration project was received by the Division by "E" mail correspondence on March 4, 2008.

Findings:

The information is adequate to meet the requirements of this section of the regulations.

REQUIREMENTS FOR NOTICE OF INTENTION TO CONDUCT MINOR COAL EXPLORATION

Regulatory Reference: 30 CFR 772.10; 30 CFR 772.11; R645-100-412; R645-201-200.

Analysis:

Coal Rule R645-201-221 requires the applicant to give name, address, and telephone number of the applicant=s representatives, who will be present at and responsible for conducting the exploration operations. This information has been submitted in the Notice of Intent, Page 2.

R645-100-400, R645-200-100, R645-200-200, and R645-201-100; Energy West Mining has given a Notice of Intention to Conduct Minor Coal Exploration with a narrative and maps describing the exploration area and indicating where the exploration will occur. The permittee will transport drilling equipment, materials, and personnel by helicopter. The drill sites will be relatively level (30 percent slope or less). There will be no removal of vegetation such as grasses and trees, but deadfall and some taller shrubs maybe removed.

The drill site will not be greater than 40 feet by 40 feet area. Brattice or other similar material will be placed on the ground beneath the drill rig. Minor digging, using hand tools may be necessary to level the drill rig using wood block or other materials.

A maximum of twenty pounds of coal will be removed per drill hole with a total of about 220 pounds from all the drill holes. This will be achieved by drilling a three-inch diameter hole. Upon completion, the drill hole will be sealed with cement from the bottom of the hole to ground level.

The exploration is projected to start on May 15, 2008 and end on or near July 15, 2008.

Findings:

The applicant has given all of the necessary information as requirements of R645-201-221 such as name, address, and telephone number.

The permittee has submitted the necessary information to comply with regulations R645-100-400, R645-200-100, R645-200-200, and R645-201-100 in the analysis.

COMPLIANCE DUTIES

Regulatory Reference: 30 CFR 772.13; R645-202.

Analysis:

The permittee stated to have a copy of the Notice of Intent to Conduct Minor Coal Exploration for review by an authorized representative of the Division upon request.

Findings:

The permittee has met the minimum requirements of this section in the R645 Coal Rules.

OPERATIONAL STANDARDS

Regulatory Reference: 30 CFR 772.13; R645-202-100.

Analysis:

R645-202-200; Energy West Mining will not substantially disturb the land surface and will remove less than 250 tons of coal.

PacifiCorp has committed to comply with all coal exploration requirements of the State Program, and any conditions on approval of the exploration plan.

Biology

R645-202-200, Page 9 of the application includes a description of the vegetation in the canyon bottoms, south and north slopes. A reference to Volume 12, Biology Chapter , pages 3-1 through 3-5 describes the vegetative communities within the proposed drill site locations and a map, MFS1821D, depicting the vegetative communities.

Page 10 of the application refers the reviewer to Volume 12, Biology, for all information concerning T&E species. An evaluation of the sensitive plant species within the Mill Fork Lease area is provided for on pages 3-3 and 3-4. Page 3-5, Paragraph 2 includes a reference to personal communication with Bob Thompson, Biologist for the Manti La-Sal National Forest. According to Mr. Thompson there are no T&E plant species within the Mill Fork lease area. Volume 12, Biology, Chapter, page 3-9, Paragraph 2 includes a reference to *"Environmental Assessment reports"*, for the T&E animal species. The report is an Environmental Assessment, (EA), prepared by the Manti-La Sal National Forest personnel for the Mill Fork Lease by Application,

(LBA), #11. Section C, *"Wildlife"*, pages III-12 through III-14 provides an analysis of the wildlife species within the Mill Fork Lease area. According to the information there are no Threatened or Endangered wildlife species within the proposed Mill Fork Lease area. Also included with the application is a current list of Threatened and Endangered plant and animal species for the drill site locations, (Emery County).

As noted on pages 10 and 11 the Northern Goshawk is a "*managem*ent indicator specie" for the Manti-LaSal National Forest. Forest Service Biologists have identified two territories associated with previous exploration drilling activities. They are identified on the 2007 raptor locations, flight path, and staging area map. The proposed flight paths are located such that they should not impact the birds or their territories.

Roads

PacifiCorp will use only existing roads for this project no new roads will be constructed. The applicant of the Notice of Intent will be using US Forest Service roads for staging areas of heavy equipment. The US Forest Service will be notified 48 hours in advance of heavy equipment traveling on the road.

The applicant will be using U.S. Forest Development Roads #245 and #040 and #017. Prior to drilling, Energy West will obtain a permit for the use of these roads.

Topsoil

Topsoil will be separately removed, stored, and redistributed on areas disturbed by coal exploration activities. The method of drilling used by PacifiCorp will disturb a small amount of topsoil. The leveling of the drill rig and associated equipment may require a small amount of excavation. Brattice cloth is to be used to cover the ground to protect the topsoil and surface vegetation.

Diversions of Overland flows and streams

The applicant will not construct diversions or affect overland flows and streams. However, the applicant will be pumping water from streams for the drilling operation. The method is to lay an intake hose directly into the stream and pump the water to the drill site. The pump will be located near the stream. Using this method will not disturb the stream.

PacifiCorp will obtain the necessary permissions and water rights actions to take water for drilling from local drainages. A temporary exchange application will be filed to State of Utah, Division of Water Rights. The amount of water required for the project is estimated at 80,000 gallons for the entire drilling project or 40,000 gallons per hole.

Hydrologic Balance

The minor exploration project will have minor surface disturbance. The disturbance is limited to leveling the rig and associated structures. There will be no construction of a drill pad or impoundments; therefore, the impact on the hydrologic balance will be minimal, if any.

Acid- or toxic forming materials

The applicant has committed to handle and dispose of acid or toxic forming materials in accordance with R645-301-731.100 and R645-301-731.300.

During the drilling operation, water and drilling fluids will be recirculated to the extent possible. Any returned cuttings and other material will be captured in a container at the drill site. The cutting material will be transported from the drill site to the staging area by helicopter and then by vehicle to the Deer Creek or Cottonwood Waste Rock Sites for disposal.

If spills occur, all affected material will be removed from the site and disposed of at an approved location. If soil is removed during spill containment and clean up, the site of removal will be reconstructed and seeded with the approved seed mixture.

Findings:

The information provided does not meet the requirements of this section of the regulations, prior to approval the following information.

RECLAMATION STANDARDS

Regulatory Reference: 30 CFR 772.13; R645-202-200.

Analysis:

Approximate original contour

The drill site areas will be basically flat with no major excavation occurring. Minor shoveling may be needed for leveling the drill rig. The area will be at approximate original contour.

R645-202-200, Page 9 of the application includes a description of the vegetation in the canyon bottoms, south and north slopes. A reference to Volume 12, Biology Chapter , pages 3-1 through 3-5 describes the vegetative communities within the proposed drill site locations and a

map, MFS1821D, depicting the vegetative communities.

Page 10 of the application refers the reviewer to Volume 12, Biology, for all information concerning T&E species. An evaluation of the sensitive plant species within the Mill Fork Lease area is provided for on pages 3-3 and 3-4. Page 3-5, Paragraph 2 includes a reference to personal communication with Bob Thompson, Biologist for the Manti La-Sal National Forest. According to Mr. Thompson there are no T&E plant species within the Mill Fork lease area. Volume 12, Biology, Chapter, page 3-9, Paragraph 2 includes a reference to *"Environmental Assessment reports"*, for the T&E animal species. The report is an Environmental Assessment, (EA), prepared by the Manti-La Sal National Forest personnel for the Mill Fork Lease by Application, (LBA), #11. Section C, *"Wildlife"*, pages III-12 through III-14 provides an analysis of the wildlife species within the Mill Fork Lease area. According to the information there are no Threatened or Endangered wildlife species within the proposed Mill Fork Lease area. Also included with the application is a current list of Threatened and Endangered plant and animal species for the drill site locations, (Emery County).

Re-vegetation

All disturbed areas will be promptly vegetated. All areas disturbed will be seeded or planted with the same seasonal variety native to the areas disturbed. The application includes a seed mix to be used in reclamation of the drill sites as outlined on pages 13 and 14 of the application. The seed will be hand broadcast at the completion of each drill hole.

Boreholes

Groundwater is not anticipated. However, if ground water is present it will be reported to SITLA, USFS, and DOGM and a determination will be made regarding the modification of the drill hole to a monitoring well.

Upon completion, each drill hole will be completely sealed with cement/bentonite from the bottom of the hole to ground level. Enough cement will be mixed and pumped into the hole to completely seal the coal horizon. The remainder of the hole will be filled completely with bentonite slurry to within five feet of the surface. A cement surface plug will fill the top five feet. A brass monument marker will be placed in the top of the cement surface plug with the hole number and year.

Facilities and Equipment

All drilling equipment and materials will be removed from the drill area once drilling is completed. Sealing will start thereafter and all equipment and material for sealing drill holes will be removed when sealing is completed.

Findings:

The permittee has met the minimum requirements of this section in the R645 Coal Rules.

PUBLIC AVAILABILITY OF INFORMATION

Regulatory Reference: 30 CFR 772.15;R645-203.

Analysis:

All information submitted to the Division under R645-200 will be made available for public inspection except as provided in R645-203-200.

Findings:

The permittee has met the minimum requirements of this section in the R645 Coal Rules.