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# United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office  
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Salt Lake City, UT 84145-0155  
<http://www.blm.gov>



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MAR 22 2004

DIV. OF OIL, GAS & MINING

IN REPLY REFER TO:

3432  
UTU-68082  
(UT-924)

Certified Mail--Return Receipt Requested  
Certificate No.

Alice Carlton  
Forest Supervisor  
Manti-La Sal National Forest  
599 Price River Dr.  
Price, UT 84501

MAR 17 2004

Re: Application for Lease Modification for Federal Coal Lease UTU-68082

Dear Ms. Carlton,

On March 1, 2004 Genwal Resources filed the enclosed application for modification of Federal Coal Lease UTU-68082 to include the following lands in Emery County, Utah:

T. 15 S., R. 7 E., SLM, Utah  
Sec. 32, W2NW, NWSW

Containing 120.00 acres

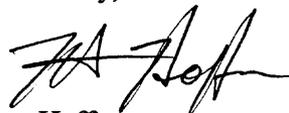
All coal lands are within the boundaries of the Manti-La Sal National Forest. BLM has determined that the modification meets the requirements of 43 CFR 3432.2 for lease modifications. The requirements are that the modification, serves the best interest of the United States; that there is no competitive interest in the land or coal deposits; and that the additional lands or deposits cannot be developed as part of another independent operation.

We will need a statement pertaining to the status of the current land use plan for the area and its conformance to the requirements contained in 43 CFR 3420.1-6 and 43 CFR 3425.2.

We are requesting that a meeting be held on the morning of March 22, 2004 to discuss the lease modification and the environmental documentation that will be necessary in order to move this process forward. If this is not convenient, please suggest a different time and date for our consideration. This modification is of the up most urgency because of mine timing. If you would think it would be helpful we can contact Genwal Resources and have them give a short presentation.

The Bureau of Land Management contact for this modification will be Stan Perkes at (801) 539-4046.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Hoffman", written in a cursive style.

Kent Hoffman  
Deputy State Director  
Lands and Minerals

Enclosure

cc: PFO  
UTU-68082  
Utah Division of Oil, Gas, and Mining (Attn: Doug Jensen)



P.O. BOX 1077  
PRICE, UTAH 84501  
PHONE: (435) 888-4000  
FAX: (435) 888-4002

Sally Wisely  
Director, Utah State Office  
U.S. Department of Interior  
Bureau of Land Management  
324 South State Street  
Salt Lake City, Utah 84111

February 27, 2004

Dear Ms. Wisely:

By way of this letter, GENWAL Resources, Inc. makes application for a lease modification to federal lease UTU-68082. Lease UTU-68082 is located in Huntington Canyon, Emery County, Utah, and has been mined in the past through the operation of the Crandall Canyon Mine. Lease UTU-68082 is held by ANDALEX RESOURCES INC. and INTERMOUNTAIN POWER AGENCY, a political subdivision of the State of Utah, each having an undivided 50% ownership interest in the leasehold estate created by this lease as tenants in common. GENWAL Resources is a wholly-owned subsidiary of the co-tenants and is the operating entity of the Crandall Canyon Mine.

This application is being submitted under 43 CFR 3432.0-.3. The proposed lease modification includes the following described lands in Emery County, Utah:

T. 15 S., R. 7 E. SLM, UT  
Section 32: W1/2NW1/4; NW1/4SW1/4

Containing 120 acres, more or less

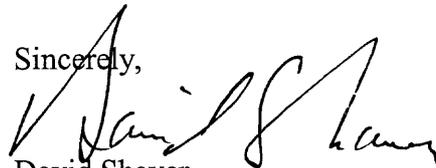
The area of this modification was originally excluded from the tract delineation of lease UTU-68082 because of low coal thickness. Previous mining in this area of the lease was terminated due to the occurrence of low coal. GENWAL has recently purchased some low-profile mining equipment which may allow some of this area to be extracted. However, all geologic data indicate that the coal in this region may be too thin even for the new low profile equipment. Due to the highly uncertain nature of this reserve GENWAL is willing to consider mining this area on the condition that the Fair Market Value (FMV) for this coal resource will be paid for as the coal is being mined, on the schedule required for payment of production royalties. This is similar to Special Stipulation #14 of the lease modification UTU-66060 issued by your office to AMCA Coal Leasing (i.e., ANDALEX Resources) on October 3, 1994.

Sally Wisely  
February 27, 2004  
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As mentioned earlier, the coal in this area has already been bypassed by previous mining operations due to low seam thickness. If GENWAL Resources is unable to mine this coal as part of a lease modification the reserve will be lost and potential royalty revenue to the United States will be forfeited. In addition to the low coal, this reserve lies close to the outcrop which increases the likelihood of encountering burned or weathered coal which cannot be mined. Proximity to the outcrop, combined with the uncertain low-coal cutoff isopach, makes development of longwall panels in this area highly speculative and economically risky. Because of the obvious economic risks associated with mining this reserve, GENWAL requests that the royalty rate for this reserve be reduced from 8% to 5% if the lease modification is granted.

We sincerely appreciate your prompt consideration of this lease modification application.

Sincerely,

A handwritten signature in black ink, appearing to read "David Shaver". The signature is fluid and cursive, with a large initial "D" and "S".

David Shaver

Manager, Technical Services