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DIVISION OF LANDS AND MINERALS

TELEFAX NUMBER (801) 539-4260

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TO: P. Grubbanh - Little

FROM: J. Kohler / J. McKenzie

SUBJECT: _____

COMMENTS:

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DIV. OF OIL, GAS & MINING

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DIV. OF OIL, GAS & MINING

IN REPLY PLEASE REFER TO:
UTU-78953
(UT-924)

NOV 12 2004

Pamela Grubaugh-Littig
Permit Supervisor
State of Utah
Division of Oil Gas and Mining
1594 West North Temple Street, Suite 1210
Salt Lake City, Utah 84114-5801

Re: Resource Recovery and Protection Plan (R2P2), Federal Coal Lease Addition, UTU-78953, South Crandall Mine, GENWAL Resources, Inc., C/015/0032

Pamela
Dear Ms. Grubaugh-Littig:

The Bureau of Land Management (BLM) has received and reviewed the subject R2P2 as part of the permit application package for adding Federal coal lease UTU-78953 to the approved Crandall Canyon Mine Permit. This letter documents the BLM's finding for the R2P2. The surface lands associated with the coal lease are National Forest lands.

GENWAL Resources, Inc. has submitted the Permit Application Package (the R2P2 being part of the submission) to add the new South Crandall coal lease (UTU-78953) to the existing Crandall Canyon Mine. New portals to access this lease have been driven into the coal seam on private land on the south side of the canyon. Coal processing and handling will use existing facilities. The addition of the Federal lease constitutes the bulk of the minable coal reserves on the south side of Crandall Canyon and will extend the life of this mine for about 8 years. All mining on this new lease will be by underground mining methods and by access gained from adjacent underground mine workings on private land. The R2P2 mining plans will extend potential longwall and room and pillar panels into the new lease. The R2P2 has been reviewed by this office and has been determined to be complete and a logical plan to mine the Federal coal.

The BLM finds the submitted R2P2 (as conditioned below) is in compliance with the Mineral Leasing Act of 1920, as amended, the lease terms and conditions, the regulations at 43 CFR 3480, and will achieve Maximum Economic Recovery of the Federal coal.

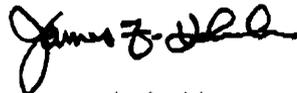
Concern has been raised by the Forest Service about loss of surface waters in areas where two seam full-extraction mining is proposed within Little Bear Canyon with less than 600 feet of overburden. They have expressed their concern that mining in Little Bear Canyon where the

overburden is less than 600 feet could divert surface waters into the mine workings. This concern has been raised because Little Bear Canyon is designated as a municipal watershed in the Forest Plan.

The BLM recommends the Assistant Secretary approve the R2P2 as proposed by the company, except that full extraction mining in the both seams not be authorized in Little Bear Canyon with less than 600 feet of overburden (in the second panel from the south) until it is determined that both seams can be mined without adverse impacts to the Little Bear Canyon municipal watershed. We will continue to work with the Forest Service to address their concerns. Final approval of which coal seams will be mined in the area in question will be addressed as a modification to the approved R2P2.

If you have any questions, please contact Jeff McKenzie of my staff at (801) 539-4038 or Stephen Falk at the Price Field Office (435) 636-3605.

Sincerely,



James F. Kohler
Chief, Solid Minerals Branch

cc: Office of Surface Mining
1999 Broadway, Suite 3320
Denver, Colorado 80202-5733

Price Field Office/UT-070