



State of Utah

Department of
Natural ResourcesROBERT L. MORGAN
*Executive Director*Division of
Oil, Gas & MiningMARY ANN WRIGHT
*Acting Division Director*OLENE S. WALKER
*Governor*GAYLE F. McKEACHNIE
*Lieutenant Governor*File In C 0150032 Outgoing
Date: 011805, Refer to: Confidential Shelf Expandable

For additional information

January 18, 2005

Gary Gray, Resident Agent
Genwal Resources, Inc.
P.O. Box 1077
Price, Utah 84501Re: IBC Modification to Lease U-68082, Genwal Resources, Inc., Crandall
Canyon Mine, C/015/0032, Task # 2090, Outgoing File

Dear Mr. Gray:

On October 22, 2004 the Division of Oil, Gas, and Mining (the Division) received from GENWAL Resources, Inc. a proposed Incidental Boundary Change (IBC) to the Crandall Canyon Mine's Mining and Reclamation Plan (MRP). The Division assigned Task #2057 to this IBC proposal. The IBC would incorporate a 120-acre modification of federal lease UTU-68082 into the MRP. The lease modification is located in the Manti-La Sal National Forest, in W/2NW/4, NW/4SW/4, Section 32, T. 15 S., R. 7 E. (USGS Rilda Canyon 7.5-minute quadrangle). OSM has determined that this 120-acre IBC is not a Mining Plan Modification.

There is no surface disturbance associated with this IBC. The amendment contains no changes to the surface facilities and only minor changes to the permit area. Access to the Hiawatha Seam, which is the only seam to be mined, will be from existing workings in the Hiawatha Seam in the Crandall Canyon #1 Mine.

There is an unrelated, pending amendment to add the South Crandall Canyon Extension (lease UTU-78953) to the Crandall Canyon Mine (Division Task # 2084). The two extensions would increase the permit area of the Crandall Canyon Mine from 5367.74 acres to 6,407.74 acres, a 16 percent increase.

The Division is developing, for each permitted mine, a current and comprehensive Master Technical Analysis (TA) to correspond with all requirements outlined in the R645 Coal Mining Rules. Subsequent permit modifications will build on the same TA and eventually all sections of the TA will be modified to encompass the MRP as a whole—and not reflect specific permit modifications. As part of this Master TA effort, the accompanying TA is a continuation of the recently submitted South Crandall Lease modification TA. Therefore, this TA presents the Division's current technical review of the MRP, including all amendments currently under

Page 2
Gary Gray
January 18, 2005

review for permit C/015/0032, and lists all outstanding deficiencies identified by the Division.

Specifics of the deficiencies are described in detail in the draft Technical Analysis provided on an accompanying CD in a redline-strikeout format. Also a clean, finalized version has been provided on the CD that includes all outstanding deficiencies in proposed amendments to the currently approved MRP.

The proposed 120-acre IBC modification to federal lease U-68082 (Division Task ID #2090) is considered deficient, and incorporation into the MRP is not recommended. Attached to this cover letter is a list of pertinent deficiencies/findings. Only the deficiencies in this attached list must be addressed prior to approval of Task ID #2090. In order for us to continue to process your application, please respond to these deficiencies by January 28, 2005.

If you have any questions, please call me at (801) 538-5286 or Jim Smith at (801) 538-5262.

Sincerely,

D. Wayne Hedberg
Permit Supervisor

an
Enclosure
cc: Price Field Office
O:\015032.CRA\FINAL\WG2090\WG2090covltr.doc

Findings:

Before the proposed IBC modification to lease U-68082 amendment can be approved, the Permittee needs to provide the following information:

R645-301-114.100, The Permittee needs to provide signed copies of the approved BLM lease modification (*Appendix 1-15*) and the BLM/U.S. Forest Service Joint Decision document (UTU-68082 Lease Modification) (*Appendix 1-15A*).

R645-301-725.100, The Permittee needs to include in Appendix 7-64, Baseline Information for the U-68082 Lease Mod Area, the referenced surface water laboratory analytical results (page 4).

R645-301-622, Plate 5-2 (BC) needs to be updated to show the boundary for the IBC modification to lease U-68082.