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United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office

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IN REPLY PLEASE REFER TO:

3482

SL-062648, UTU-78953

(UT-923)

OCT 06 2006

Certified Mail--Return Receipt Requested

Mr. R. Jay Marshall

~~Chief Engineer & Project Manager~~

UtahAmerican Energy, Inc.

P. O. Box 986

Price, Utah 84501

*Handwritten signature: Thomas J. ...
10/12/06
Copy Wayne ...*

Re: Pending Modification of the Resource Recovery and Protection Plan (R2P2), South Crandall Mine, UtahAmerican Energy, Inc.

Dear Mr. Marshall:

The Bureau of Land Management (BLM) has received your letter "Notification of termination of Longwall mining in South Crandall Mine," dated August 30, 2006. The discontinuance of longwall mining, discussed and verbally approved on August 15, 2006, requires written official BLM approval through the R2P2 modification process.

The original South Crandall Mine R2P2 (Federal Coal Lease UTU-78953) was approved on June 7, 2005, and was modified on February 17, 2006 to exclude the mining of the Blind Canyon Seam by longwall methods. UtahAmerican Energy, Inc (UEI) now seeks to modify their R2P2 to terminate longwall mining of the Hiawatha Seam, and to proceed with continuous miner operations.

UtahAmerican has proposed changing the mining method for the current longwall panel #1 by stopping longwall mining near crosscut 18 of the 2nd East headgate entries. They also propose the removal of longwall machinery. Thin coal and unacceptable coal quality (in excess of 30% ash) were cited as justification for the action. Print-outs of ash analyses were submitted to the BLM for review.

The BLM has reviewed current reports of the longwall panel coal quality, and concurs with the conclusions stated in UtahAmerican's August 30th letter. This longwall panel has been inspected twice while in operation by BLM officials (on June 12 and August 1), and variable coal thicknesses of approximately 5 ft were verified, consistent with coal heights encountered during development of the longwall entries. The minimum mining height for these machines is 5.5 ft, and roof and/or floor rock is being cut with the coal, causing the excessively high ash values. The existing coal exploration data for this lease give no indication that coal

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thicknesses are consistently greater in other areas of the mine; thus, coal quality is not likely to improve should mining by longwall methods be required to continue.

We note your closing statements in the August 30, 2006 letter:

We will continue to ventilate South Crandall Mine during our evaluation and will notify the BLM if this situation changes. Once we develop a satisfactory continuous miner plan for South Crandall we will submit a request to modify our current approved R2P2.

The BLM requests the following steps be taken by UtahAmerican to comply with the Mineral Leasing Act of 1920 (as amended) and the regulations in 43 CFR 3480, to meet lease terms and conditions, and to ensure Maximum Economic Recovery (MER) of coal on the Federal Coal Lease UTU-78953:

- 1) A complete R2P2 modification package must be submitted within 90 days.
- 2) The mine must be ventilated and maintained for future production.

The modification package needs to evaluate the geology and mining of potentially recoverable reserves in both the Blind Canyon and Hiawatha Seams using continuous miners. Plans should also be developed for exploration of the Blind Canyon Seam by upward in-mine drilling. The following are required for the figures, per 43 CFR 3482.1 (c)(4)(v)(A-E):

(v) General layout of proposed underground mine showing—

- 1) Planned sequence of mining by year for the first 5 years, thereafter in 5-year increments for the remainder of mine life;
- 2) Location of shafts, slopes, main development entries and barrier pillars, panel development, bleeder entries, and permanent barrier pillars;
- 3) Location of areas where pillars will be left and an explanation why these pillars will not be mined;
- 4) A sketch of a typical entry system for main development and panel development entries showing centerline distances between entries and crosscuts; and
- 5) A sketch of typical panel recovery (e.g., room and pillar, longwall, or other mining method) showing, by numbering such mining, the sequence of development and retreat..

We appreciate the summary letter, and await the submission of your complete R2P2 modification package. If you have any questions, please contact Stephen Falk at the Price Field Office at (435) 636-3605 or Peter Brinton of my staff at (801) 539-4162.

Sincerely,

JAMES F KOHLER

James F. Kohler
Chief, Branch of Solid Minerals

cc: PFO, UT-070, Price, Utah (w/enclosure)
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