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Bureau of Land Management

Utah State Office, Lands & Minerals Division
440 West 200 South, Suite 500
Salt Lake City, UT 84101
Phone: 801-539-4080 Fax: 801-539-4260

*Invoice of
e/015/0032*

Fax Cover Sheet

To: P. Grubayh-Littij

FAX No: 355-3940

From: J. McKenzie

Phone: 539-4080

Date: 20 Sept 2007

Number of Pages including cover sheet: 144

Subject: _____

Remarks: _____

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United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office

P.O. Box 45155

Salt Lake City, UT 84145-0155

<http://www.blm.gov>



In Reply Please Refer To:
UTU-68082, U-54762,
SL-062648
(UT-923)

September 20, 2007

Certified Express Mail – Return Receipt Requested
Certificate No. 7004 2510 00037279 5482

Andalex Resources, Inc.
c/o Mr. David Hibbs
Manager of Engineering
UtahAmerican Energy, Inc.
PO Box 902
Price, Utah 84501

Mr. Lance Lee
Intermountain Power Agency
10653 S. River Front Parkway, Suite 120
South Jordan, Utah 84095

MODIFICATION OF NOTICE AND ORDER

Re: Cessation of Operations to Temporarily and Fully Idle the Crandall Canyon #1 Mine (coal mining leases UTU-68082, U-54762, and SL-062648.

This Notice and Order is issued pursuant to:

43 CFR 3481.1(c): The operator shall adequately protect the recoverable coal reserves upon abandonment.

43 CFR 3486.3(c): If, in the judgment of the authorized officer, the operator fails to comply with the rules, terms and conditions of the Federal lease which may threaten serious damage to the mine, he shall order the immediate cessation of such activities.

43 CFR 3484.1(c)(7): The abandonment of a mining area shall require the approval of the authorized officer.

Efforts to idle the Crandall Canyon #1 Mine can recommence according to the Resource Recovery and Protection Plan (R2P2) submitted by UEI on September 18, 2007. BLM also granted a temporary interruption in coal severance under separate cover on September 20, 2007.

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This MODIFIED ORDER is in effect immediately from date of receipt by each lessee. The MODIFIED ORDER shall remain in force until such time as a plan for the mine is presented to BLM and approved by BLM. If you believe that you may not be able to fully comply with any part of this order, contact this office immediately.

If you have any questions please call me at 801-539-4037 or Jeff McKenzie at 801-539-4038.

Sincerely,



Kent Hoffman
Deputy State Director
Land & Mineral Resources

cc:

Mr. Dave Shaver
Registered Agent
UtahAmerican Energy, Inc.
PO Box 902
Price, Utah 84501

BLM Price Field Office (PFO)
Utah State Institutional Trust Lands (Mr. Tom Faddies)
675 East 500 South, Suite 500, Salt Lake City, Utah 84102

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IN REPLY REFER TO:

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UTU-68082, UTU-54762, SL-062648
(UT-923)

Certified Mail--Return Receipt Requested
Certificate No. 7004 2510 0003 7279 5499

SEP 20 2007

Mr. David Hibbs
Land Manager/Geologist
Genwal Resources, Inc.
P. O. Box 1077
Price, Utah 84501

Re: Grant Temporary Interruption in Coal Severance.

Dear Mr. Hibbs:

Background: On September 18, 2007, the Bureau of Land Management (BLM) received the Genwal Resources, Inc. (Genwal) request to modify the subject R2P2 of Federal coal lease UTU-68082. The modification proposes idling of the mine and a delay of Federal coal recovery at the Crandall Canyon Mine.

Affected Leases: The following Federal coal leases are affected by this action: UTU-68082, UTU-54762 and SL-062648.

Proposal: Genwal has submitted an R2P2 modification to idle the Crandall Canyon #1 (North) Mine, which is located on three Federal coal leases and some adjacent Utah state coal lands. The proposed change to the approved R2P2 is the postponement of mining in this mine pending the conclusion of the MSHA investigation and concurrent engineering, geologic and economic studies. The plan for extraction of the Hiawatha Seam is as portrayed on the updated map. The mine's justification for the postponement of mining is the need to re-evaluate conditions and economics of the mine following two seismic events occurring on August 6, 2007 and August 16, 2007. MSHA has placed a 104(k) order on the mine to preserve the accident location preventing any additional mining until their investigation had been completed.

Approval(s):

1. The BLM grants a temporary interruption in coal severance under 43 CFR 3481.4 for the Crandall Canyon #1 (North) Mine only. 3481.4-4 states, "If you want BLM to consider your lease or LMU to be producing, the aggregate of all temporary interruption in coal severance from your lease or LMU must not exceed 1 year in the 5-consecutive-year period immediately preceding the date of BLM's determination of the lessee qualifications under 43 CFR 3472.1-2 of this chapter".

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2. BLM approves the location of the temporary block walls near the mine portals, but final approval of the design of the walls will have to be obtained after submittal to the authorized officer.

Explanation & Conditions of Approval:

1. Genwal Coal Company must submit final design and locations for the temporary block walls to BLM for approval prior to installation
2. Submit copies of all applicable investigations, engineering, geologic and economic studies for this mine to BLM. Once the studies are complete, BLM will require a change to the R2P2 to reflect change in timing or recoverable coal reserves and any other potential changes to the plan.
3. Provide a certified list with mapped locations of equipment to remain in mine within 15 days of receipt of this letter.
4. Prior to start-up of this mine, Genwal Coal Company must notify BLM.

Logical Mining Unit (LMU): Until mining resumes, continued operations (production) requirements for this lease will be satisfied by meeting the diligence requirement on the LMU, conditional on the both approval of the pending Genwal LMU application and on the receipt by the BLM of formal correspondence from Genwal requesting the addition of the South Crandall lease (UTU-78953) to the existing LMU application.

Inspection: The Crandall Canyon Mine was last inspected on September 5, 2007 and on September 18, 2007, just prior to the proposed temporary closure of the mine.

Maximum Economic Recovery (MER): The existing R2P2 is in effect (plan approved Feb 23, 2005).

National Environmental Policy Act (NEPA): This action is Categorically Excluded from NEPA analysis, as explained in the Department Manual (5 DM Part 516 11.5 (F) (8)).

Other Legal Compliances: This action complies with the Mineral Leasing Act of 1920, as amended, the regulations at 43 CFR 3480, and the lease terms and conditions. This approval does not constitute any other approval as required by the Division of Oil, Gas and Mining or by the Mine Safety Health Administration. If you have any questions, please contact Stephen Falk in the Price Field Office at (435)636-3605, or Jeff McKenzie of my staff at (801)539-4038.

Sincerely,



for James F. Kohler
Chief, Solid Minerals Branch

cc: UT-070, Price Field Office (w/ enclosures)
Utah Division of Oil Gas and Mining (w/o enclosures)
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

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