

APPENDIX 5-24A

R2P2 (RESOURCE RECOVERY AND PROTECTION PLAN)

APPROVAL LETTER

(120 ACRE MODIFICATION, FEDERAL LEASE UTU-68082)

INCORPORATED

FEB 28 2005

DIV OF OIL GAS & MINING



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 REFER TO:
 UTU-68082
 U-54762
 (UT-923)

FEB 23 2005

Certified Mail--Return Receipt Requested

INCORPORATED

FEB 28 2005

Mr. John C. Lewis
 Mining Engineer
 Genwal Resources, Inc.
 P. O. Box 1077
 Price, Utah 84501

DIV OF OIL GAS & MINING

Re: Minor Modification, Resource Recovery and Protection Plan (R2P2), Revised Life of Mine Plan, Low-Seam Longwall Panels, East and North Mining Areas, Crandall Canyon Mine

Dear Mr. Lewis:

The Bureau of Land Management (BLM) has received from Genwal Resources, a modification to the subject R2P2. The proposed modification revises mining plans for low-seam areas with the acquisition of low-seam longwall machinery, and updates timing for life of mine recovery. The changes are for Federal coal leases UTU-68082, U-54762, and adjacent State of Utah coal leases.

Genwal plans a number of revisions to the approved R2P2.

1. Convert a previously approved area for room and pillar mining to mine two small longwall panels, #'s 20 and 21. This area is south of West Mains and directly between the old longwall panel # 3 on the west and old works on lease SL-062648 to the east. The area had projected coal heights less than what the previous longwall equipment could mine. The acquisition of low-seam longwall equipment is Genwal's justification for the change.
2. Develop and mine longwall panel # 22 parallel to West Mains and east of old longwall panel # 2. Again, this area originally was projected with seam heights. In addition, Genwal has requested a lease modification for additional coal lands at the eastern boundary of UTU-86082, just west of the outcrop in Huntington Canyon. With the acquisition of low-seam longwall equipment, Genwal will attempt to develop and extend longwall panels into this area.

INCORPORATED

FEB 28 2005

DIV OF OIL GAS & MINING

3. Probe/develop the area north of planned longwall panel # 22, as shown on Genwal's map of Oct 12, 2004, to ascertain if coal heights will support coal recovery. If probing/development proves a recoverable reserve, a panel plan will be submitted for approval. Any coal to be left unmined must be approved by BLM prior to abandoning the area.
4. Revise planned recovery of coal remnants in mains and sub-mains. Genwal plans retreat recovery of some pillars and barriers remaining in main entries and sub-main entries and updates timing and sequencing of this recovery.

The BLM has reviewed and analyzed the proposed revisions. Starting with the proposed longwall panels # 20 and # 21, we agree with the plan. When Genwal had earlier completed longwall panel # 19 and had developed Main East directly north of panel # 19, the BLM had given verbal approval to develop 3 1/4 East (a three entry development set) into this low coal block that was previously planned for room and pillar mining if coal heights were high enough. Subsequent quarterly inspections (June 29 and September 14, 2004) confirm coal heights above 5 feet thick and in the range of the new low-seam longwall equipment. Though the apparent and projected coal heights are near the minimum limits for operating the longwall equipment, the BLM encourages full recovery.

The area north of Main West and east of old longwall panel # 2 is also approved with similar conditions as in area one. This area was not previously scheduled for mining as the back end of old panel # 2 stopped due to coal below 6 feet which was the limits of the previous longwall machinery. With the acquisition of a low-seam continuous miner and longwall equipment, BLM gave verbal approval to connect up the Main West entries with the back end bleeder entries of old longwall panel # 2 (now called 3rd North off Main West) and then drive development entries east (called 1st Right Gate off of 3rd North) to ascertain coal heights for a low-seam longwall panel. In addition, Genwal applied for a lease modification for the east end of lease UTU-68082 to acquire unleased coal (if it exists with minable thickness) between the boundary and the outcrop to Huntington Canyon. An inspection on September 14, 2004, verified that the beginnings of 1st Right Gate had thicknesses of greater than 5 feet. We agree with the proposal and also the general plan to develop north of this proposed panel # 22 to recover minable coal with the new low-seam mining equipment. The requirements for the R2P2 for this lease modification area are met with your submission. However, Genwal is not authorized to mine in the lease modification area (west quarter of section 32, township 15 south, range 7 east) until a permit under the Surface Mining Control and Reclamation Act (administered by Utah Division of Oil Gas and Mining) is issued. This letter will be copied to Utah Division of Oil Gas and Mining (UDOGM) and will serve as our concurrence to them for requirements under the Mineral Leasing Act.

The fourth part of the proposed revisions depicts new sequencing and timing of mining remnant pillars left in the mains and sub-mains as part of final retreat mining. We agree and find the plan for recovering pillars in the mains and sub-mains a good attempt to recover remnant coal surrounded by mined out areas. We note that no retreat mining of Main West inby crosscut 116 is depicted on the latest submission. Genwal informed the BLM in late October, 2004, that they were planning to seal Main West due to adverse loading and the inability to maintain passage back to the end of Main West. BLM inspected the area on November 4, 2004, and noted the conditions. Heavy pillar loading was noted from crosscut 125 all the way back to near the end of Main West. Two large intersection caves were noted and heavy rib sloughage on the intake entry for most of this length. In addition, the rib line to the north barrier was pushing out coal well into the entry. It is apparent that pillar recovery will not be possible. First, before any additional mining can occur, all entries must be made travelable which will require all caves and failures clean up and secured. The depth for most of Main West is over 1500 feet with the middle area (where the worst conditions were noted) is over 2000 feet deep. Main West perform its function of

longwall gob return air courses for the life of the north and south longwall block near Joe's Valley fault but cannot be used for final pillar recovery. We agree that the pillars in Main West inby crosscut 116 cannot be recovered safely or practically. We also concur with sealing the area as the coal is not recoverable, return ventilation is no longer needed and equipment and any hazardous materials have been removed.

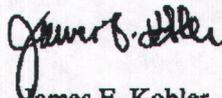
Our approval for these revisions to the R2P2 is conditioned on Genwal updating the recoverable reserve base for the Federal leases at the Crandall Canyon Mine within 30 days. Should extra time be necessary to finalize these numbers, please inform us at the contacts listed below. This is not a punitive measure, just an acknowledgement that reserve figures were not tracked in the past by all concerned. We wish to rectify recoverable reserves for all leases and lessees.

This approval of a minor modification to an existing R2P2 is Categorically Excluded from National Environmental Policy Act (NEPA) analysis in that no new surface disturbance will occur from this action as stated in Overview of BLM's NEPA Process, February 1997, Appendix 2, page 2-7 (F)(7). NEPA analysis was conducted for the lease modification area, and a Finding of No Significant Impact (FONSI) was signed in November 2004.

Genwal's proposed changes to the R2P2 complies with the Mineral Leasing Act of 1920, as amended, the regulations at 43 CFR 3480, the lease terms and conditions, and will achieve maximum economic recovery of the Federal coal. The mining plans as depicted on the October 12, 2004 submission (ACAD REF: R2P2 CRANDALL) is approved as submitted with the mentioned condition for reserves update. A copy of the approved mine map is enclosed. This approval constitutes our concurrence for R2P2 requirements for UDOGM on the area of the lease modification.

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

Sincerely,



James F. Kohler
Chief, Solid Minerals Branch

Enclosure
Approved Mine Map

cc: Price Field Office (w/encl.)

Utah Division of Oil Gas and Mining (w/encl)
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

INCORPORATED

FEB 28 2005

UTAH OIL GAS & MINING