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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
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*C/O 15/032 Incoming
cc: Steve C.*



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DIV. OF OIL, GAS & MINING

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CERTIFIED MAIL—Return Receipt Requested 7008 1140 0000 376 1901

Mr. David W. Hibbs
Director, Engineering
UtahAmerican Energy, Inc.
P.O. Box 910
East Carbon, Utah 84501

Re: Drill hole plugging plan on Federal Coal Lease UTU-68082

Dear Mr. Hibbs:

The Bureau of Land Management (BLM) issued a notice of noncompliance dated October 26, 2007 to Andalex Resources/Genwal Resources, Inc., now under UtahAmerican Energy, Inc. (UEI), for failure to comply with the approved exploration plan and conditions of approval. This letter is to summarize events, document findings and give a disposition of the noncompliance.

UtahAmerican Energy Inc (UEI) was given this non-compliance for failure to properly plug drill holes DH-3 and DH-4, two holes drilled relative to the rescue efforts at the Crandall Canyon Mine. A top to bottom drill hole plug, as conditioned in the approved drilling plan, was not accomplished. The partial plugs in the two drill holes were not proposed or approved as a change to the approved drilling plan prior to the installation of the plugs. To correct this noncompliance, UEI was to submit information and data from the drill holes that would support its position that the partial plugs of the drill holes are adequate for resource protection. UEI provided the information and data and the BLM reviewed said data. From the review of the data and discussions with UEI, it was clear that the partial plug was sufficient to protect the coal resource as these drill holes were drilled into mine openings where there is no possibility of future coal recovery in the collapsed area of the mine.

However, for protection of hydrologic resources, it was decided that further data collection and monitoring was required and in addition, concurrence of the Manti-LaSal National Forest was needed. UEI submitted its water monitoring plan along with a report prepared by Petersen Hydrologic, LLC., which assessed the impacts on the hydrologic conditions and balance of the area as a result of these mine rescue drill holes. Based on the review, the BLM and the Forest

Service concluded that the drill holes with only a partial plug would not adversely impact the hydrologic resources of the area. Further, current and future monitoring under the Crandall Canyon Mine Permit should reveal any possible future impacts. These conclusions from the Forest Service were documented in a letter from the Manti-LaSal National Forest dated September 29, 2009.

The BLM, with concurrence from the Forest Service, has concluded that the partial drill hole plugs of DH-3 and DH-4 can remain in place. Resource values should not be affected. There would be little chance of successfully re-drilling and plugging these holes that would add any further resource protection. Hence these partial drill hole plugs are accepted and UEI has fulfilled the requirements of the noncompliance. Therefore, the noncompliance of October 26, 2007 is corrected and no further actions are required for this non-compliance beyond the monitoring discussed above.

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

/s/ Roger L. Bankert

Roger Bankert
Minerals Branch Chief

cc: PFO
Manti LaSal National Forest, 599 West Price River Drive, Price, Utah, 84501
Utah Division of Oil, Gas, and Mining (Attn. Daron Haddock), 1594 West North Temple,
Suite 1210, Box 145801, Salt Lake City, UT 84114-5801
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