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12/19/2005
cc to Carla + Liane

United States Department of the Interior

Bureau of Land Management
Uncompahgre Field Office
2505 South Townsend Avenue
Montrose, Colorado 81401

In Reply
Refer to: 3420.1

December 14, 2005

Mr. Charles Richmond
Forest Supervisor
Grand Mesa, Uncompahgre, and Gunnison National Forest
2250 Highway 50
Delta, CO 81416

Dear Mr. Richmond:

In a letter dated October 18, 2005, you requested formal input from the BLM on the coal resource assessment as presented in the GMUG Coal Resource and Development Potential report of 2004 (CRDP). In that letter you correctly stated that minerals staff at the GMUG had shared their report with my staff on previous occasions; however, there was no "formal" input provided by BLM up to this time. The report contained in this letter is written to serve as the BLM formal input.

Background

Regarding a comprehensive land use plan that is expected to encompass coal potential, 43 CFR 3420.1-4(e)(1) states in part that "The Bureau of Land Management shall estimate coal development potential for the surface management agency. Coal companies, State and Local governments and the general public are encouraged to submit information to the Bureau of Land Management at any time in connection with such development potential determinations." The BLM did not estimate coal development potential for the USFS because the basis for such an estimate had already been established by the United States Geological Survey (USGS) in their report published in July 2003 titled "Resource Potential and Geology of the Grand Mesa, Uncompahgre, and Gunnison (GMUG) National Forests and Vicinity, Colorado". Instead, BLM reviewed the USFS written CRDP as noted in the Time-Line section of this report. Neither the USFS or the BLM ever encouraged anyone to "submit information" during the drafting of the CRDP.

On September 19, 2005, the USFS held a Forest Plan Coal Stakeholder Group meeting to review the CRDP, the proposed lands to be made available for further consideration for coal leasing, and proposed Guidelines (stipulations). The three coal companies of the North Fork (Oxbow Mining, LLC (OML), Bowie Resources, LLC, (BRL), and Mountain Coal Company (MCC)) were provided with draft copies of the CRDP at that time. All three coal companies expressed apprehension verbally at that meeting with respect to USFS proposed "Theme 3" management designations in areas overlaying coal with development potential.

After reviewing the CRDP, Oxbow Mining, LLC (OML) wrote a letter dated October 26, 2005,to you. After making several points, the OML letter concluded that from their perspective, the CRDP "*...has significant errors and omissions regarding the potential for foreseeable future development of coal resources, particularly in the area of the North Fork Valley on the south flank of Grand Mesa. These errors and omissions probably contributed to what we believe are serious flaws in the 2005 Preliminary Proposed GMUG Forest Plan Revision.*"

At the time of the writing of this report, neither of the other two North Fork coal companies (BRL, and MCC) had made any comments on the CRDP; however, they had indicated that they were preparing responses.

Time-Line

On Jan. 12, 2004, the BLM-UFO minerals staff (Desty Dyer, mining engineer, and Lynn Lewis, geologist) met with Liane Mattson of the USFS to discuss the coal information needed for the Forest Plan revision. Various issues arose including how to derive mineable coal from in-place reserves and then use recovery rates to estimate recoverable coal tons, all based on no foreseeable change in mining technology for the next 10 to 15 years. Sources of data mentioned were the USGS OFR 76-371, GIS files for the Known Recoverable Coal Resource Area (KRCRA), the Colorado Geological Survey website and their 1995 Summary of Coal Resources in Colorado. Coal resource facts listed were:

1. Grand Mesa coalfield containing coal having a lower Btu than coal currently mined in the North Fork, and being at or very near the current mineable overburden limit where it exists on USFS managed lands.
2. Fruitland coal in the Tongue Mesa field being difficult to access and heavily faulted.
3. Dakota coals on the Uncompahgre plateau having low development potential.
4. Areas of unlikely activity being the Crested Butte and Carbondale fields.
5. Doubtful market for anthracite coal.

The USFS minerals staff worked on writing the CRDP throughout 2004. In August of 2004 the BLM offered more information regarding the Snowshoe Mesa field and the Tongue Mesa field noting that old mine workings on the Snowshoe Mesa field were in the vicinity of the ghost town of Floresta but there was uncertainty about the extent of anthracite coal beds, and that the Tongue Mesa field had small dog hole mines, one being an outcrop excavation location where BLM once administered a license to mine, and that findings were consistent with data collected by Kemmerer coal in the '70s. Later, September 15, 2005, the BLM sent an e-mail to the USFS which also noted that Mountain Coal Company (MCC) - having all available data - had no current intentions of pursuing the Snowshoe Mesa field coal resources because the seams were thin, but that it should not be "written off" as had been previously implied by the BLM. In February of 2005 the USFS inquired about data showing coal potential in the "Sunset Trails" tract (of interest to MCC) and the BLM noted that data from adjacent leased federal coal and fee coal implied that a mineable coal resource existed.

In late 2004 and early 2005 the USFS made some email inquiries regarding how to handle the regulatory requirement for the BLM to provide the surface managing agency with coal resource information for land management planning. Although no "formal answer" was determined, it was agreed that in all practicality a BLM review of the Draft CRDP should suffice, and that review was finished about April 12, 2005. At that time the BLM sent an email to the USFS stating there were no detectable inadequacies in the CRDP. The only question that arose was regarding the USGS nomenclature (used in the CRDP) for the coal zones which in turn might cause confusion regarding the widely known labeling of the seams in the North Fork from A – F; however, it was agreed that a careful reading would result in understanding which coal resources were being described.

From January 2004 to the present, regarding the USFS CRDP coal reserve estimation from the coal potential map: The BLM never found any major problems with the calculation methods used or the tons derived from those calculations. In early September 2005 the BLM staff obtained the *2005 Preliminary Proposed GMUG Forest Plan Revision* (PPPR) which, by assuming diminished potential for economic coal development, may have tended to remove potential coal resources from future mining opportunities by designating Theme 3 areas over known coal resources.

Conclusion

The BLM agrees with the coal resource potential shown on maps A & B in Figure 11 on page 21. They are a fair and accurate representation. The coal reserve estimation should remain as tabulated in the CRDP as shown in tables on page 28 for Area 1 as shown in Figures 12-15 that appear on pages 22-25. Upon reviewing the USFS *2005 Preliminary Proposed GMUG Forest Plan Revision* the BLM recommends that the CRDP should reflect coal recovery potential based on future advances in mining technology/roof support along with the economics associated with higher coal prices. Due to these factors BLM believes another 5-10% of the North Fork Valley coal reserves can be recovered over the next 10-15 years, and that coal companies would be stimulated to seek more coal reserves along the southern flank of Grand Mesa in that same time period.

If you have any questions call me at 240-5315 or Desty Dyer at 240-5302.

Sincerely,

Barbara Sharrow

Barbara Sharrow
Uncompahgre Field Office Manager

CC: Jim Edwards, Chief, Branch of Solid Minerals, BLM