Rio Algom Mines Limited, the operator of Sage Creek Coal Limited, have for nearly 5 years actively explored the region covered by their licences and during the past year made their intentions known to the Provincial Government that a mine development appeared as a distinct possibility. The area that they find most promising is near the convergence of Cabin Creek and Howell Creek, both tributaries of the Flathead River that flows southward approximately 6 miles into Montana. The Flathead River in Montana is bordered on the east by Glacier National Park, which is part of the Waterton-Glacier International Peace Park, and the Flathead National Forest on the west. As such, the development possibility has been an ongoing concern of environmentalists and residents on both sides of the border for some time. Our file shows that enquiries date back to December, 1973 when questions were first raised by the Montana Department of Fish and Game. The enquiries have continued and in February, 1975, the Governor of Montana asked an official of the Department of Mines to visit Helena and discuss the development project with himself and representatives of the legislature. The offer was declined, however, invitations have been extended to the Governor to visit with Department officials in Victoria on both technical and political levels. No meetings have taken place.

On July 30th, the company met with officials of the Government in the Board Room of the Provincial Library to acquaint the Government of the possibility of a coal development in this region. The meeting included representatives of all affected Government agencies.

On July 31st, the company in conjunction with the Department held a public information meeting in Fernie, again to outline the possibility of a coal development. The meeting was well attended by residents and a sizeable contingent from Montana, representing resident concerns, wildlife federations, environmental

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groups, and Government agencies. The main thrust of the Montana delegation was to persuade the British Columbia Government to plan carefully and only proceed if the most stringent environmental controls were exercised. The local response was generally most favourable to the project.

On August 27th, Congressman Baucus, representative from Montana, and a delegation of 15 Flathead citizens, environmentalists, and media visited the property on arrangements made directly with Rio Algom. The Department of Mines was not represented during that visit, nor was the Province. It is my understanding that Environment Canada and External Affairs were present.

From that point to date there has been no other direct contact with Montana or its representatives and the Department of Mines.

As regards the project and its ongoing relationship with the Government, the Company is deeply involved with the Environmental Assessment Review that is co-ordinated by the E.L.U.C. Secretariat and this Department. The simplified form of this review process is in four stages that are outlined below and related to the Sage Creek Creek Project:

Prospectus - A general outline of the proposed project with the purpose of introducing the concept and basic facts to the various agencies of the Provincial Government.

Sage Creek completed this stage with the July 30th meeting and co-ordinated follow-up early in September, 1975.

Stage I - Preliminary Assessment - The assessment of the major economic, environmental and social impacts of the proposed development in the region. The studies include:

- outline of proposed development (onsite and offsite)
- description of existing natural and social environment
- filling information gaps
- identification of interactions between the development and the environment, including the general economic impact
- identifying alternatives for resolving project impacts

Sage Creek is perhaps 70% through this stage at present.

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Stage II - Detailed Assessment - An in-depth analysis of the Stage I report to include:

- detailing the development programme
- site specific analyses of impacts both for minesite and offsite aspects of the development
- analysis of alternative proposals for mitigating identified impacts
- identifying alternative means of meeting community and social requirements
- statement of preference for each aspect of the project

Stage III - Operational Plans and Approval Applications - Detailed operational plans including reclamation, pollution control, and leases are submitted and approved under the various regulatory agencies. Formal application may be made at an earlier point, but it would be approved during this process.

The final approval for reclamation and the production lease rests with the Minister of Mines.

Stage IV - Project Implementation - A monitoring system for the implementation of the project under the varied auspices of the separate agencies; Pollution Control, Water Rights, Mines Reclamation etc.

As indicated, Sage Creek is at Stage I of the Environmental Review Process. The anticipated completion date of their engineering and feasibility studies leading to a Production Lease is estimated to be mid-summer 1976. There are a number of technical problems to be dealt with in the ongoing process which generally fall under the review process now in effect within the Department (as regards mine engineering, design, reclamation etc.), and the Environmental Review Process (as broadly outlined above). The area of sensitivity most concerning External Affairs and Environment Canada is the degradation of the Flathead River System. The concern comes from the Boundary Water Treaty of 1909 between Canada and the United States. Article IV of the Treaty reads in part:

> ".....It is further agreed that the waters herein defined as boundary waters and waters flowing across the boundary shall not be polluted on either side

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to the injury or health or property
on the other....."

This is a sensitive area as three projects reported to me as immediate concerns to Canada are the Garrison Division Project in North Dakota, the Great Lakes, and the St. Croix River in New Brunswick. In each case the Americans are creating a problem and I am certain Canada does not want to spoil its own record.

The foregoing was prepared during the last week in November. We now have a copy of the diplomatic note and the request of External Affairs to name an official as a point of contact. I recommend J.S. Poyen and urge that Crerar of the Secretariat and Axford of the office of the Planning Advisor to Cabinet be kept informed.

On November 21st Jonathan Bensky of the American Consulate was given the following documents in a meeting with J. D. McDonald and me:

Coal Act and Regulations
Coal Mines Regulation Act
Guidelines for coal exploration

He visited Hodgson of Pollution Control Branch and we promised to send him the ELUC environmental guidelines for coal development.

James T Fyles

JAMES T. FYLES

JTF:bg

Encls: 4 maps
Prospectus
pps. 148 and 149 Coal Task Force report

Cabin Creek (Sage Creek Coal) (Figures 10 and 10a)

Sage Creek Coal Limited was incorporated in 1970 to develop coal deposits in Flathead Valley. The company currently holds coal licences covering about 40 square miles in that area. Since 1970 work has been concentrated in the Cabin Creek area and has included geological mapping, drilling, sampling, testing, mine and plant design, market research, and studies of environmental impact and infrastructure.

In the Flathead Valley the coal measures of the Kootenay Formation lie in the upper plate of the Lewis Thrust and locally in the Cabin Creek deposit occur on the east flank of a northwest trending anticline. Three major mineable seams are present in the deposit. The lowest, termed #5 has an average thickness of 35 feet and is split by a parting ranging from 3 to 8 feet in thickne The middle seam, #4, is split by a parting from 3 to 40 feet in thickness producing upper and lower benches with average thickness of 27 to 20 feet respectively. Seam #2, the highest economic seam in the section has an average thickness of 11 feet. The coal-bearing section of the Kootenay in this area is approximately 600 feet thick.

The deposit is split in two segments by the valley of Cabin Creek which is aligned at right angles to the strike of the strata.

The South Hill, south of Cabin Creek, deposit is complicated by normal faulting trending northwest causing apparent down dip repetition. The throw in the faults ranges from 200 to 800 feet and usually drops the beds on the west side. This normal faulting has had the effect of preserving coal-bearing strata up dip that otherwise would have been eroded from the top of the hill which is flatter (0-10 degrees) than the beds (30 degrees). The North Hill, north of Cabin Creek, has only a minor amount of faulting and much more closely approximates a dip slope than the South Hill

Measured in-situ reserves of 77 and 41 million tons lie in the North and South Hills respectively. A further 42 million tons lie in immediate down dip and along strike extensions of the deposit. An inferred resource of 100 million tons has been

[illegible] principally in the down dip extensions to the east. To the northeast the beds are truncated by a major fault.

TYPICAL CROSS SECTION
SAGE CREEK (NORTH HILL)

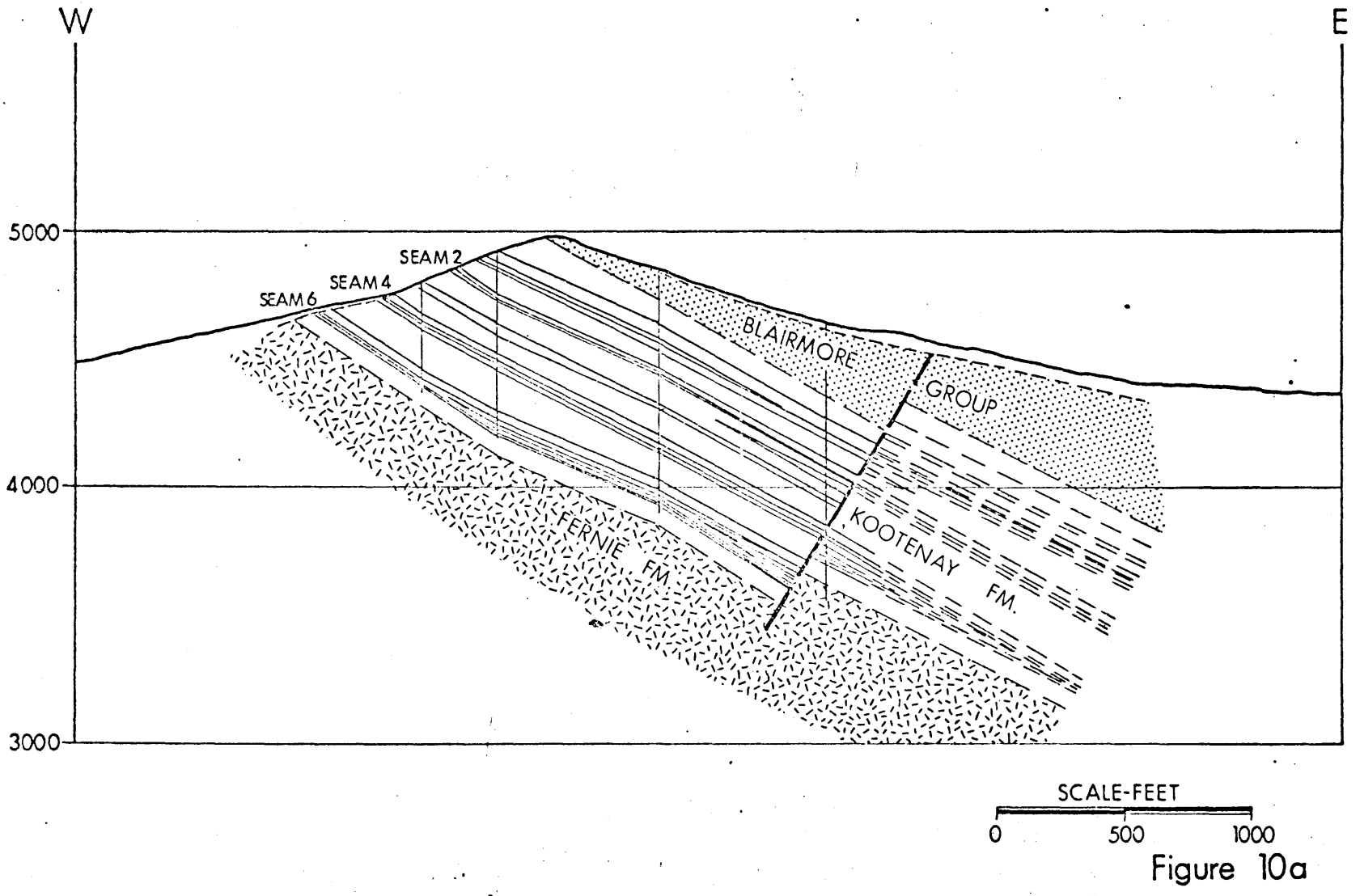
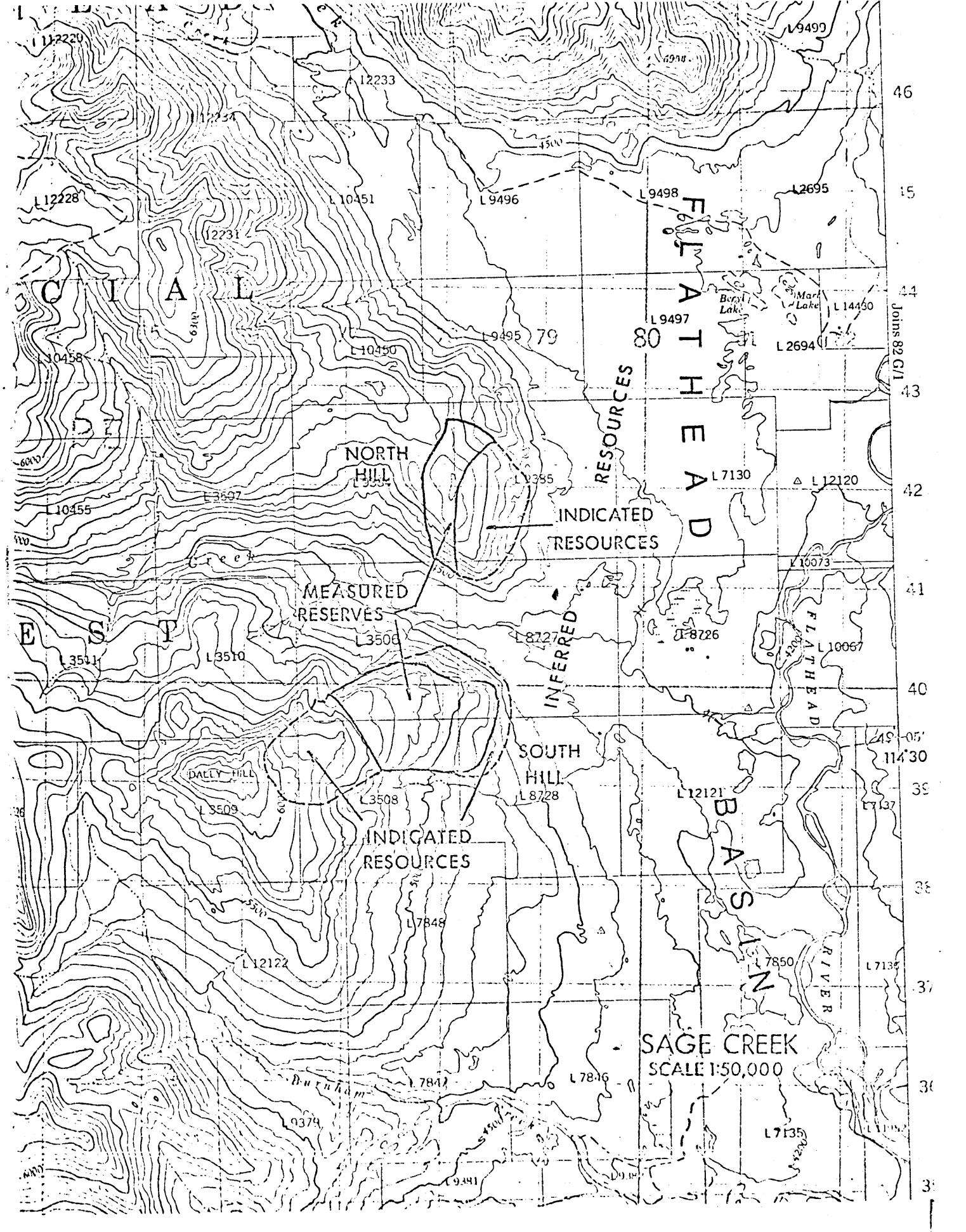


Figure 10a


NORTH HILL
MEASURED RESERVES
INDICATED RESOURCES
INFERRED RESOURCES
SOUTH HILL
INDICATED RESOURCES
SAGE CREEK
SCALE 1:50,000
FLATHEAD
BASIN
RIVER
Joins 82 G/1
L 12220
L 12233
L 12228
L 12231
L 10451
L 9496
L 9498
L 2695
L 9497
L 14450
L 2694
L 10458
L 10450
L 9495
79
80
L 7130
L 12120
L 10455
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L 3505
L 3506
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L 3511
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L 3509
L 3508
L 8728
L 12121
L 7137
L 7848
L 12122
L 7850
L 7847
L 7846
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L 7135
L 9381
46
45
44
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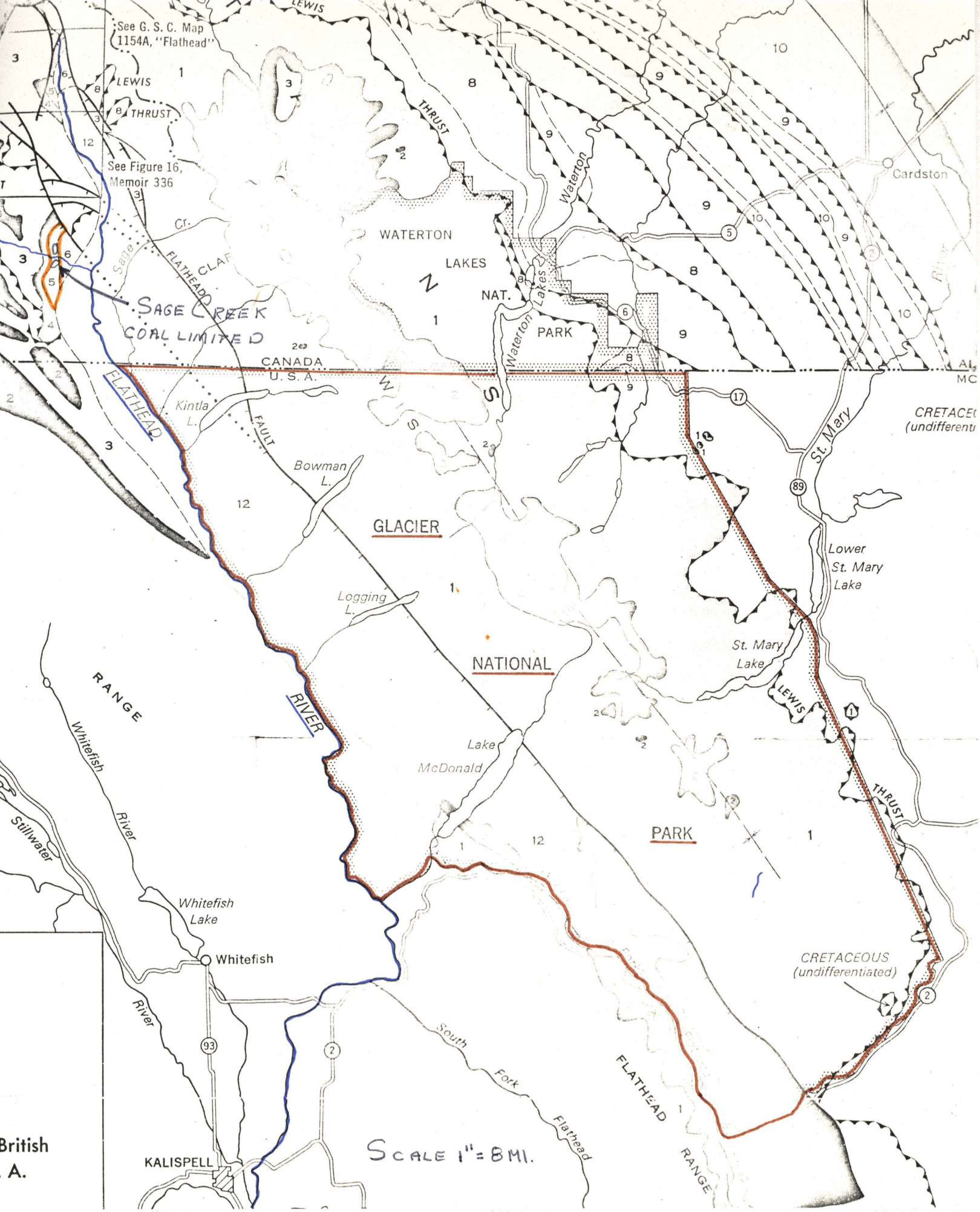
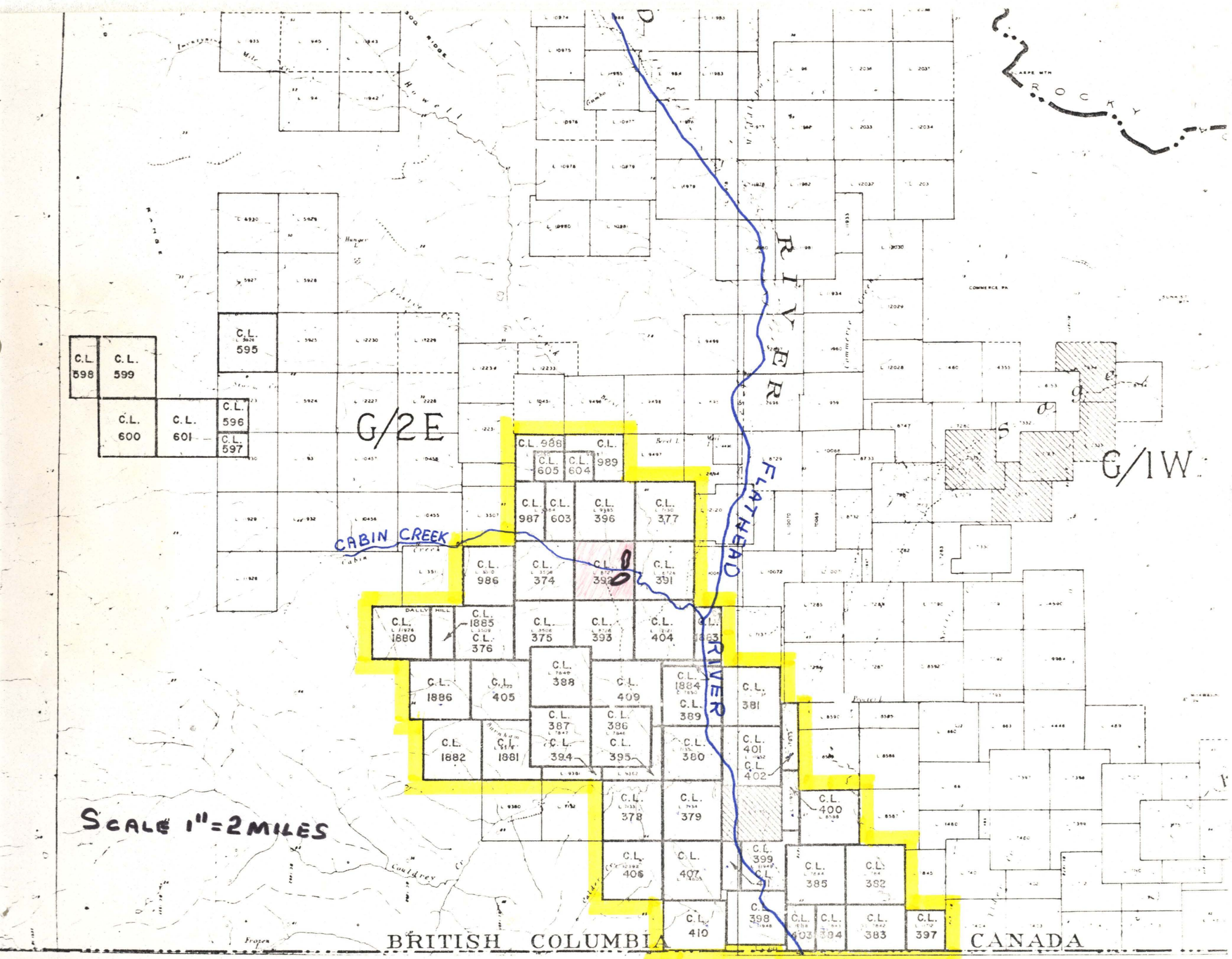
41
40
39
38
37
36
114°30'


See G. S. C. Map 1154A, "Flathead"
See Figure 16, Memoir 336
LEWIS
THRUST
WATERTON LAKES NAT. PARK
Waterton Lakes
Waterton
Cardston
SAGE CREEK COAL LIMITED
Sage Cr.
FLATHEAD CLAIMS
CANADA
U. S. A.
FLATHEAD
Kintla L.
FAULT
Bowman L.
GLACIER NATIONAL PARK
Logging L.
Lake McDonald
St. Mary
Lower St. Mary Lake
St. Mary Lake
LEWIS RANGE
RIVER
Whitefish River
Stillwater
Whitefish Lake
Whitefish
KALISPELL
South Fork Flathead
FLATHEAD RANGE
CRETACEOUS (undifferentiated)
SCALE 1" = 8 MI.


C.L. 595
C.L. 598
C.L. 599
C.L. 600
C.L. 601
C.L. 596
C.L. 597
G/2E
G/1W
RIVER
FLATHEAD
CABIN CREEK
C.L. 988
C.L. 989
C.L. 605
C.L. 604
C.L. 987
C.L. 603
C.L. 396
C.L. 377
C.L. 986
C.L. 374
C.L. 391
C.L. 1880
C.L. 1885
C.L. 376
C.L. 375
C.L. 393
C.L. 404
C.L. 388
C.L. 409
C.L. 1884
C.L. 389
C.L. 381
C.L. 1886
C.L. 405
C.L. 387
C.L. 386
C.L. 394
C.L. 395
C.L. 380
C.L. 401
C.L. 402
C.L. 1882
C.L. 1881
C.L. 378
C.L. 379
C.L. 400
C.L. 406
C.L. 407
C.L. 399
C.L. 385
C.L. 382
C.L. 410
C.L. 398
C.L. 383
C.L. 397
SCALE 1"=2 MILES
BRITISH COLUMBIA
CANADA
MONTANA
U.S.A.
45'
30'