CHAPTER 1

LEGAL, FINANCIAL, COMPLIANCE AND RELATED INFORMATION

M&RP

INCAPORATED
MAY 22 2012
Div. of Oil, Gas & Mining
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CHAPTER 1
LEGAL, FINANCIAL, COMPLIANCE AND RELATED INFORMATION

110 MINIMUM REQUIREMENTS FOR LEGAL, FINANCIAL, COMPLIANCE AND RELATED INFORMATION

111 Introduction

For information pertaining to this section(s) refer to General Chapter 1 binder for Canyon Fuel Company, LLC prepared for the Dugout Canyon Mine, Soldier Canyon Mine and Banning Loadout operations.

112 Identification of Interests

112.100 Business Entity

The Dugout underground coal mining operation is located in Carbon County, Utah. The surface facilities for the Dugout Canyon Mine are within Section 23, Township 13 South, Range 12 East, SLBM approximately 11 miles northeast of Wellington, Utah.

For additional information refer to General Chapter 1 binder for Canyon Fuel Company, LLC Dugout Canyon Mine, Soldier Canyon Mine and Banning Loadout operations.

112.200 Applicant and Operator

For information pertaining to this section refer to General Chapter 1 binder for Canyon Fuel Company, LLC prepared for Dugout Canyon Mine, Soldier Canyon Mine and Banning Loadout operations.
112.300 Officers of the Applicant

For information pertaining to this section refer to General Chapter 1 binder for Canyon Fuel Company, LLC prepared for Dugout Canyon Mine, Soldier Canyon Mine and Banning Loadout operations.

112.400 Coal Mining and Reclamation Operation Owned or Controlled

The following list describes all permits held by Canyon Fuel Company, LLC, all pending applications for permits, and any permit recognized as necessary in the future for which no application has been filed. Identification numbers of applications or permits are contained in the following list. Many of the agencies listed, however, have review responsibility only and may not have submitted a numbered permit.

<table>
<thead>
<tr>
<th>Permit</th>
<th>Issuing Authority</th>
<th>Approval Status/ Identification No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining and Reclamation Permit C/007/039</td>
<td>State of Utah Department of Natural Resources Division of Oil, Gas and Mining Department of Interior U.S. Geological Survey and Office of Surface Mining Department of Agriculture U.S. Forest Service Manti La Sal National Forest</td>
<td>Approved</td>
</tr>
<tr>
<td>U.P.D.E.S. Permit UTG-040020/UT0025593</td>
<td>Environmental Protection Agency and Utah D.E.Q.</td>
<td>Approved</td>
</tr>
<tr>
<td>Business License</td>
<td>Carbon County</td>
<td>Approved</td>
</tr>
<tr>
<td>Mine Health and Safety Permits 42-01890 and 42-01888, 1211-UT-09-01890-01</td>
<td>Mine Safety and Health Administration - Utah</td>
<td>Approved</td>
</tr>
</tbody>
</table>
Radio Permits  Federal Communications Commission  Approved
Certificate of Insurance and Authorization to do Business in State  State Industrial Development Commission  Approved
Road Agreement  Carbon County  Approved
Air Quality Approval Order  State of Utah Utah Air Conservation Committee Department of Health Division of Environmental Health  Approved
Stream Channel Alteration Permit  State Engineer  Approved

The Canyon Coal Company, LLC mining permits and operations are:

- SUFCO Mine  C/041/002
- Skyline Mine  C/007/005
- Soldier Canyon Mine  C/007/018
- Banning Loadout  C/007/034
- Dugout Canyon Mine  C/007/039

The issuing authority for the Canyon Fuel Company permits is the UDOGM.

Operations held by Canyon Fuel Company, LLC are presented on Figure 1-1 in the General Chapter 1. Facility names, mailing addresses and permit numbers for these operations are provided in either Table 1-1 and/or Table 1-2. For additional information refer to the General Chapter 1 binder for Canyon Fuel Company, LLC prepared for the Dugout Canyon Mine, Soldier Canyon Mine and Banning Loadout operations.
112.500 Legal or Equitable Owner of the Surface and Mineral Properties

The legal and equitable owners of the surface are listed below and the mineral properties to be affected by this mining operation during the duration of the permit period are the State of Utah, Bureau of Land Management and Canyon Fuel Company, LLC. Refer to Refuse Pile Amendment for additional ownership information.

Canyon Fuel Company, LLC
6955 South Union Park Center
Suite 540
Salt Lake City, UT 84047
Telephone: (801)569-4700

Milton & Ardith Thayne Trust
Sunnyside Star Route
Price, Utah 84501

State of Utah
School and Institutional Trust Lands Administration
675 East 500 South
Salt Lake City, Utah 84102-2818

George & Alice Conover Etal
2701 Georgia Way
Sandy, Utah 84092

United States of America
Department of Interior
Bureau of Land Management
Price Coal Office
125 South 600 West
Price, Utah 84501

Gil L. Conover
450 So. State
Ferron, Utah 84523

No area within the lands to be affected by surface operations and facilities or within the area of coal to be mined is under a real estate contract.

Coal mining and reclamation operations are listed on Table 1-1 and the corporate structures is presented on Figure 1-1 both are located in the General Chapter 1 binder.
112.600 Owners of Record of Property Contiguous to Proposed Permit Area

Owners of record for surface and mineral properties contiguous to the proposed permit area are shown on Plate 1-1 and 1-2, with the names and addresses listed below.

United States of America
Department of Interior
Bureau of Land Management
Price Coal Office
125 South 600 West
Price, Utah 84501

State of Utah
School and Institutional Trust Lands Admin.
675 East 500 South
Salt Lake City, Utah 84102-2818

KFJ Ranch Partnership
C/O Kerwin Jensen
Cleveland, Utah 84518

Milton & Ardith Thayn Trust
Sunnyside Star Route
Price, Utah 84501

Gil L. Conover
450 So. State
Ferron, Utah 84523

J. George Conover
275 West Main
Ferron, Utah 84523

George & Alice Conover Et.al.
2701 Georgia Way
Sandy, Utah 84092

Surface ownership along the county road is shown on Plate 1-3. In addition refer to the Refuse Pile Amendment for additional information.

112.700 MSHA Numbers

The Dugout Canyon Mine MSHA numbers are:

MSHA No. 42-01890  Rock Canyon seam (west side of canyon)
MSHA No. 42-01888  Gilson seam (west side of canyon)
MSHA No. 1211-UT-09-01890-01 Dugout Canyon Mine Refuse Pile
112.800 Interest in Contiguous Lands

A State Institutional Trust Lands coal tract is contiguous to the east of the Dugout Canyon Mine permit boundary. Upon approval by UDOGM, Canyon Fuel Company, LLC intends to begin mining the coal reserves in this lease during the current term of this permit application.

112.900 Certification of Submitted Information

Canyon Fuel Company, LLC hereby attests that the information contained in this permit document is true and correct to the best of their knowledge.

113 Violation Information

For violation information refer to Table 1-2 in the General Chapter 1 binder for Canyon Fuel Company, LLC prepared for the Dugout Canyon Mine, Soldier Canyon Mine and Banning Loadout operations.

114 Right-of-Entry Information

The right to enter the leaseholds conveyed by the State coal leases is conferred to the lessee by the Mineral Leasing Act of 1920 and the leases themselves. Copies of State coal leases ML-42648 and ML-42649, and Federal Lease U07064-027821 which grant CFC the right to enter and conduct underground mining operations, are presented in Appendix 1-1.

The legal description of the CFC leases is:

State Lease ML-42648 - (3640 acres) - Approved
T. 13 S., R. 12 E., SLBM, Utah
Section 8: E1/2
Section 10: S1/2

INCORPORATED
AUG 16 2010
Div. of Oil, Gas & Mining
Section 11:  S1/2
Sections 14 and 15: All
Section 17:  NE1/4; E1/2SW1/4; SE1/4
Section 20:  E1/2NW1/4; SW1/4NW1/4; N1/2NE1/4
Section 21:  N1/2NW1/4; NE1/4
Section 22:  N1/2; N1/2S1/2
Section 23:  W1/2NW1/4

State Lease ML-42649 - (2212 acres) - Approved
T. 13 S., R. 12 E., SLBM, Utah
Section 3:  Lots 1, 2, 3, 4, S1/2 (all)
Section 4:  Lots 1, 2, 3, 4, S1/2 (all)
Section 5:  Lots 1, 2, SE1/4
Section 9:  All
Section 10:  N1/2
Section 11:  N1/2


T. 13 S., R. 12 E., SLBM, Utah
Section 13:  All
Section 23:  E1/2E1/2, W1/2SE1/4, NE1/4SW1/4, E1/2SE1/4SW1/4
Section 24:  All
Section 25:  N1/2N1/2, N1/2SW1/4NW1/4
Section 26:  N1/2NE1/4, NE1/4SE1/4NE1/4

T. 13 S., R. 13 E., SLBM, Utah
Section 18:  Lots 1, 2, 3, 4, E1/2SW1/4; SE1/4
Section 19:  Lots 1-4, E1/2W1/2, NE1/4, NW1/4SE1/4
Canyon Fuel Company, LLC  
SCM/Dugout Canyon Mine  

Mining and Reclamation Plan  
April 2017

Section 30: Lot 1

Federal BLM Right-of-Way UTU-76601 - (10 acres) - Sept. 1998
T. 13S., R. 12 E., SLBM, Utah
Section 23: NE1/4NW1/4NW1/4SW1/4, N1/2NE1/4NW1/4SW1/4,
SE1/4NW1/4NW1/4SW1/4

Fee land owned by CFC as described below: (800 acres)
T. 13 S., R. 12 E., SLBM, Utah
Section 16: All
Section 23: E1/2NW1/4; W1/2NE1/4

BLM Rt-of-Way UTU-77985 - (57.5 acres)
T13 S., R12E., SLBM, Utah
Section: 22: NE1/4SW1/4SW1/4SE1/4, S1/2SW1/4SW1/4SE1/4,
N1/2SE1/4SW1/4SE1/4, SE1/4NE1/4SW1/4SE1/4,
S1/2NW1/4SE1/4SE1/4, SW1/4NE1/4SE1/4SE1/4,
N1/2NE1/4SE1/4SE1/4
Section 23: NW1/4SW1/4NW1/4SW1/4, S1/2NW1/4NW1/4SW1/4,
NE1/4NW1/4NW1/4SW1/4, N1/2NE1/4NW1/4SW1/4
Section 27: NE1/4SE1/4NE1/4NW1/4, S1/2SE1/4NE1/4NW1/4,
SE1/4NE1/4NE1/4NW1/4, W1/2 NW1/4NW1/4NE1/4

BLM Parcel (2.5 acres)
T13 S., R12E., SLBM, Utah
Section: 23: NW1/4NW1/4NW1/4SW1/4

State Lease ML-48435-OBA - (2,560 acres)
T13 S., R13 E., SLBM, Utah
Section 17: W1/2W1/2SW1/4, W1/2E1/2W1/2SW1/4

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JUN 07 2017
Div. of Oil, Gas & Mining
Section 19: NE1/4SE1/4, S1/2SE1/4
Section 20: W1/2W1/2W1/2, W1/2E1/2W1/2W1/2

T13 S., R13 E., SLBM, Utah (Added to Permit Area in 2005, approximately 2,360 acres)
Section 17: E1/2SW1/4, SW1/4SE1/4, E1/2E1/2W1/2SW1/4
Section 20: E1/2W1/2, E1/2, E1/2E1/2W1/2W1/2
Section 21: SW1/4NW1/4, SW1/4
Section 28: NW1/4, N1/2SW1/4, SW1/4SW1/4
Section 29: All
Section 30: E1/2, E1/2W1/2

State Lease ML-50582-OBA - (320 acres)
T13 S., R13 E., SLBM, Utah
Section 16: W1/2

Waste Rock Storage Facility - Fee land owned by CFC
T. 14 S., R. 12 E., SLBM, Utah (Approximately 28.2 acres)
Section 18: Portions of E1/2NE1/4,

All of Lease ML-42648, except the E1/2 of Section 8 and the NE1/4 of Section 17, is included within the Dugout Canyon Mine permit boundary. However, only the S1/2 SE1/4 of Section 9 from Lease ML-42649 is within the permit boundary. The ten acres described in UTU-76601 are also described in UTU-77985. The U.S. Department of Interior, Bureau of Land Management (BLM) right-of-way application UTU-76601 is included in Appendix 1-3.

The disturbed area encompasses 20.80 acres (Mine Facility area, including Gilson well pad and small substation), 36.08 (G-2, G-5, G-6, G-7, G-9, G-10, G-11, G-12, G-13, G-14, G-15, G-16, G-17, G-18, G-19, G-22 (including access road), G-25, G-26, G-30 and G-31 Degas Well), 14.25 acres (AMV Road) 0.85 (Topsoil Stockpile), 1.8 acres (Leach field/pipeline area), 2.7 acres (Pace Canyon Fan Facility) and 28.2 acres (Refuse Pile area) totaling approximately 104.68 acres. That acreage includes a pre- and post mining road with an area of 1.6 acres and 2.03 acres of...
undisturbed land within the mine facilities disturbed area and 11.2 acres within the refuse pile disturbed area.

The permit boundary encompasses approximately 9,569 acres which includes the acreage as presented in the table below, also refer to Plate 1-1 and RA Plate 1-1 for additional information. Coal ownership acreage within the permit area includes approximately 2,941 acres of federal coal, approximately 5,800 acres of state coal, and 828 acres of fee coal as shown in the table below (Plate 1-2 and RA1-1B). Approximately 745 acres which include the surface subsidence area, refuse pile and leach field areas will not be mined although their acreage is included in the surface and coal ownership acreage totals.

**Acreage Table**
(all acreage is approximate)

<table>
<thead>
<tr>
<th>Disturbed Area</th>
<th>Acreage</th>
<th>Surface Ownership</th>
<th>Acreage</th>
<th>Coal Ownership</th>
<th>Acreage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dugout Cyn. Facility</td>
<td>20.8</td>
<td>Federal</td>
<td>627</td>
<td>Federal</td>
<td>2941</td>
</tr>
<tr>
<td>Degas</td>
<td>36.08</td>
<td>State of Utah</td>
<td>920</td>
<td>State</td>
<td>5800</td>
</tr>
<tr>
<td>AMV Road</td>
<td>14.25</td>
<td>Fee</td>
<td>8022</td>
<td>Fee</td>
<td>828</td>
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<tr>
<td>Topsoil Stockpile</td>
<td>0.85</td>
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<tr>
<td>Leachfield</td>
<td>1.8</td>
<td></td>
<td></td>
<td></td>
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<td>Fan Portal</td>
<td>2.7</td>
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<td>Refuse Pile</td>
<td>28.2</td>
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<tr>
<td>Total</td>
<td>104.68</td>
<td></td>
<td>9569</td>
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<td>9569</td>
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**Acres of Land Within Permit Area under Lease and Fee Lands**

<table>
<thead>
<tr>
<th>State Leases</th>
<th>Acres</th>
<th>Federal Leases</th>
<th>Acres</th>
<th>BLM</th>
<th>Acres</th>
</tr>
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<tbody>
<tr>
<td>ML-42648</td>
<td>3160</td>
<td>U-07064-027821</td>
<td>2881</td>
<td>ROW UTU-76601</td>
<td>10</td>
</tr>
<tr>
<td>ML-42649</td>
<td>80</td>
<td></td>
<td></td>
<td>ROW UTU-77985</td>
<td>47.5</td>
</tr>
<tr>
<td>ML-48435-OBA</td>
<td>2560</td>
<td></td>
<td></td>
<td>Parcel</td>
<td>2.5</td>
</tr>
<tr>
<td>ML-50582-OBA</td>
<td>0</td>
<td>Fee Acreage</td>
<td>828</td>
<td></td>
<td>828</td>
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<tr>
<td>Total (Rounded)</td>
<td>5800</td>
<td>3709</td>
<td></td>
<td></td>
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</table>
Approximate Total Acreage within Permit Area 5800 + 3709 + 60 = 9569

A legal description of the permit boundary includes:

T. 13 S., R. 12 E., SLBM, Utah

Section 9: S1/2SE1/4
Section 10: S1/2
Section 11: S1/2
Section 13: All
Section 14: All
Section 15: All
Section 16: All
Section 17: E1/2SW1/4; SE1/4
Section 20: E1/2NW1/4; SW1/4NW1/4; N1/2NE1/4
Section 21: N1/2NW1/4; NE1/4
Section 22: N1/2; N1/2S1/2; Portion of N1/2NE1/4SE1/4SE1/4;
    Portion of SW1/4NE1/4SE1/4SE1/4;
    Portion of the S1/2NW1/4SE1/4SE1/4;
    Portion of SW1/4NE1/4SW1/4SE1/4;
    Portion of N1/2SE1/4SW1/4SE1/4;
    Portion of NE1/4SW1/4SW1/4SE1/4;
    Portion of S1/2SW1/4SW1/4SE1/4
Section 23: NW1/4; NE1/4; SE1/4; NE1/4SW1/4; NW1/4NW1/4SW1/4;
    S1/2NE1/4NW1/4SW1/4; NW1/4SW1/4NW1/4SW1/4;
    E1/2SE1/4SW1/4
Section 24: All
Section 25: N1/2N1/2, N1/2SW1/4NW1/4
Section 26: N1/2NE1/4, NE1/4SE1/4NE1/4
Section 27: Portion of W1/2NW1/4NW1/4NE1/4
    Portion of SW1/4NE1/4NE1/4NW1/4
    Portion of E1/2SW1/4NE1/4NW1/4
    Portion of SW1/4SW1/4NE1/4NW1/4
Topsoil is being stored in T14S, R12E, Section 8, a storage area permitted to Soldier Canyon Mine. See Chapter 2 for additional details concerning the topsoil storage.

As clarification, in 2007 acreage (487.57 acres) was added to existing Federal Coal Lease U-07064-027821, two hundred and forty-seven acres of this added acreage is already included as part of the Dugout permitted area. Acreage was previously added to the permit area in excess of the Federal leased acreage to act as a subsidence buffer zone (207.57 acres) and to accommodate a revised mine plan (40 acres). In addition, State Lease ML-50582-OBA (320 acres, more or less) was issued to Dugout Canyon Mine in 2007. Future surface disturbance of these leases will be permitted as needed to facilitate mining activities. The subsidence buffer zone acreage was added in T13S, R12E Section 13 and T13S, R13E Sections 17 and 18. The acreage added in T13S, R13E Sections 17 and 18 is now part of Federal Coal Lease U-07064-027821. Fifty acres were added to the permit boundary in 2012, this acres included 20 acres in Section 23, 20 acres in Section 25 and 10 acres in Section 26, T13S, R 12E (Federal Coal Lease U-07064-027821). Four hundred and forty acres were removed from the permit boundary in 2016, see Appendix 1-1 Coal Lease U-07064-027821, relinquished lands. Two hundred and seven acres were added to the permit boundary in 2016, these acres include 160 acres in Section 13, T13S, R12E and 47 acres in Section 18, T13S, R13E (Federal Coal Lease U-07064-027821).

The refuse pile is located on property owned by Canyon Fuel Company, LLC. The property is located approximately 6.5 miles southwest of the Dugout Canyon Mine in portions of the NE1/4, SW 1/4 and SE 1/4 of the NE 1/4, in a portion of the NW 1/4 of the SE1/4, and in the NW1/4 of the NE 1/4 of Section 18, Township 14 South, Range 12 East, Salt Lake Base Meridian.
The refuse pile is located on property owned by Canyon Fuel Company, LLC. The property is located approximately 6.5 miles southwest of the Dugout Canyon Mine in portions of the NE1/4, SW 1/4 and SE 1/4 of the NE 1/4, in a portion of the NW 1/4 of the SE1/4, and in the NW1/4 of the NE 1/4 of Section 18, Township 14 South, Range 12 East, Salt Lake Base Meridian.

BLM Right-of-Way UTU-77985 grants the right-of-entry for the leach field and associated pipeline. Refer to the right-of-way description above.

115 Status of Unsuitability Claims

To the best knowledge of Canyon Fuel Company, LLC, no portion of the area to be permitted is designated, or under study for being designated, unsuitable for mining.

CFC does not propose to conduct coal mining or reclamation operations within 300 feet of any occupied dwelling. A description of operations to be conducted within 100 feet of a public road is provided in Chapter 5 of this M&RP, together with a discussion of plans to protect the interests of the public.

116 Permit Term

The anticipated mining progression during operation of the Dugout Canyon Mine is outlined on Plate 5-7. Rates of production for the permit term are presented in Section 523. Reclamation operations are discussed in Chapters 2, 3, 5, 7, and 8.

117 Insurance, Proof of Publication, and Facilities and Structures Used in Common

Certificates of Insurance issued to Canyon Fuel Company, LLC are located in General Chapter 1 binder for Canyon Fuel Company, LLC Dugout Canyon Mine, Soldier Canyon Mine and Banning Loadout operations.

The newspaper advertisement and the verification of the advertisement appearing in the appropriate newspapers are included in Appendix 1-2.
118 Filing Fee

The permit application was accompanied by a $5.00 filing fee. UDOGM retains a record of filing fee payments in their office in Salt Lake City, Utah.

120 PERMIT APPLICATION FORMAT AND CONTENTS

This permit application will comply with R645-301-120.

130 REPORTING OF TECHNICAL DATA

All technical data submitted in the permit application will be accompanied by the name or organization responsible for the collection and analysis of data, dates of collection and descriptions of methodology used. Technical analyses will be planned by or under the direction of a qualified professional in the subject to be analyzed.

140 MAPS AND PLANS

The maps and plans in the Mining and Reclamation Plan will correspond with the requirements in R645-301-140.

150 COMPLETENESS

CFC believes the information in this permit application to be complete and correct.
APPENDIX 1-1

Coal Lease Documents
United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155

In Reply Refer To:
3487
Soldier Creek LMU
SL-051279-063188 et al
(UT-932)

DECISION

Canyon Fuel Company L.L.C.
6955 Union Park Center, Suite 540
Midvale, Utah 84047

Coal Leases
SL-051279-063188, U-50722,
U-07064-027821, UTU-69635

Logical Mining Unit Approved

The Soldier Creek Logical Mining Unit (LMU) filed October 27, 1989, is hereby approved effective March 1, 1996, with Canyon Fuel Company L.L.C. as unit operator.

The Soldier Creek LMU contains 12,142.49 acres and is composed of Federal coal leases SL-051279-063188, U-07064-027821, U-50722, and UTU-69635; a Bureau of Land Management Authorization to Mine; a State of Utah coal lease ML-42648; and private lands owned by the operator.

Enclosure
LMU Document
Soldier Creek Loglcsl Mining Unit

The Mineral Leasing Act (MLA) of February 25, 1920, as amended by the Federal Coal Leasing Amendments Act (FCLAA) of 1976, authorizes the consolidation of coal leases into a logical mining unit (LMU). An LMU is an area of land which the coal resources can be developed in an efficient, economical and orderly manner as a unit with due regard to conservation of coal resources and other resources.

As a result of a modification to an application for an LMU designation filed by Coastal States Energy Company, the Soldier Creek LMU is approved effective March 1, 1996, and provides as follows:

1. Unit Area: The area specified on the map attached hereto marked Exhibit A being hereby designated the LMU area, containing 12,142.6 acres as described as follows:

   Federal Coal Lease SL-051279-063188
   
   T. 13 S., R. 11 E., SLM, Utah
   Sec. 12, E ¼ E ½;
   Sec. 13, NE ¼ NE ¼

   T. 13 S., R. 12 E., SLM, Utah
   Sec. 7, lots 1 through 4, E ½ W ½, E ½;
   Sec. 8, W ¼;
   Sec. 17, W ½;
   Sec. 18, lot 1, N ½ NE ¼, SE ¼ NE ¼, NE ¼ NW ¼.

   Contains 1548.31 acres

   Federal Coal Lease U-07064-027821
   
   T. 13 S., R. 12 E., SLM, Utah
   Sec. 13, S ¼;
   Sec. 23, E ½ E ¼, W ¼ SE ¼, NE ¼ SW ¼;
   Sec. 24, all;
   Sec. 25, N ½ N ¼;
   Sec. 26, N ½ NE ¼.

   T. 13 S., R. 13 E., SLM, Utah
   Sec. 18, lots 3, 4, E ½ SW ¼, SE ¼;
   Sec. 19, lots 1-4, E ½ W ½, NE ¼, NW ¼ SE ¼;
   Sec. 30, lot 1.

   Contains 2416.14 acres more or less

   Federal Coal Lease U-50722
   
   T. 13 S., R. 11 E., SLM, Utah
   Sec. 1, lot 8;
   Sec. 12, E ¼ W ½, W ½ E ½;
   Sec. 13, NW ¼ NE ¼, NE ¼ NW ¼.

   Contains 440 acres more or less.
Federal Coal Lease UTU-69635

T. 13 S., R. 11 E., SLM, Utah
Sec. 1, lots 1-7 and 8 (for all coal except the Rock Cyn. Bed);
Sec. 10, E½E¾;
Sec. 11, all;
Sec. 12, W½W¾;
Sec. 13, W½NW¼, SE¼NW¼, SW¾;
Sec. 14, N½, N½S½, SE¼SE¼;
Sec. 16, NE¼NE¼;
Sec. 23, N½NE¼NE¼;
Sec. 24, N½N½NW¾.

Containing 2177.52 acres more or less

BLM Authorization to Mine

T. 13 S., R. 11 E., SLM, Utah
Sec. 13, SE¼NE¼, NE¼SE¼.

T. 13 S., R. 12 E., SLM, Utah
Sec. 18, S½NW¾.

Containing 120 acres more or less

State Lease

T. 13 S., R. 12 E., SLM, Utah
Sec. 8, E½;
Sec. 10, S½;
Sec. 11, S½;
Sec. 14, all;
Sec. 15, all;
Sec. 17, NE¼, E½SW¼, SE¼;
Sec. 20, E¼NW¼, SW¼NW¼, N½NE¼;
Sec. 21, N½NW¼, NE¼;
Sec. 22, N½, N½S½;
Sec. 23, W½NW¾

Containing 3640 acres more or less

Private Lands:

T. 13 S., R. 12 E., SLM, Utah
Sec. 23, W½NE¼, E½NW¼;
Sec. 16, all.

T. 13 S., R. 11 E., SLM, Utah
Sec. 2;
Sec. 3, lots 5, 6, 7;
The LMU includes the following Federal coal leases described in Exhibit B attached: SL-051279-063188, U-074064-027821, U-05722, UTU-69635.

2. Unit Operator:

Canyon Fuel Company, L.L.C.
P.O. Box 1029
Wellington, UT 84542

3. Stipulations: As a consideration to the approval of the LMU, the operator/lessee consents to the following stipulations which make all Federal leases within the LMU subject to uniform requirements of this Resource Recovery and Protection Plan (R2P2), LMU recoverable reserves exhaustion, diligent development, continued operation, maximum economic recovery, advance royalty and royalty reporting periods. As of March 1, 1996, the diligence terms and conditions of the Federal lease are subject to or are superseded by the diligence requirements imposed on the LMU.

a. Supervision: Bureau of Land Management
Price Field Office
125 South 600 West
P.O. Box 7004
Price, Utah 84501

The Price Field Office Manager located at the above location is responsible for the review and approval of exploration plans and operations, and modifications thereto, prior to the commencement of mining operations within a permit area approved pursuant to the Surface Mining Control and Reclamation Act (SMCRA) of 1977. The Manager is also responsible for review and approval of resource recovery and protection plans and modifications thereto, and is also responsible for inspection and enforcement, including production verification, of such operations and all lands and all coal within the LMU, and for implementing all other applicable provisions of the 43 CFR 3400 rules for the LMU.

b. Diligent Development and Continued Operation requirements: Pursuant to 43 CFR 3480.0-5(a)(13)(B), the diligent development period for the LMU began on October 1, 1995. Therefore, the LMU must have production of commercial quantities (1% of the total recoverable reserves) by October 1, 2005. Canyon Fuel Company L.L.C. must mine 664,000 tons from anywhere within the Soldier Creek LMU to achieve diligent development. This requirement was met on January 1997. The LMU must maintain continued operation requirements (mining commercial quantities) or a request to be allowed to pay advance royalty in lieu of continued operation. This request must be submitted to BLM 30 days prior to the start of the continued operation year. Since the LMU has met the requirement for diligent development in January 1997, the LMU will be required to maintain production of commercial quantities on an annual basis. The continued operation period for this LMU began on February 1, 1997.

c. Advance Royalty: The number of years for which advanced royalty may be paid in lieu of continued operation is ten (10). Advance royalty may be paid in lieu of continued operation only until October 1, 2015. No advanced royalty paid prior to that date may be credited against production royalty after that date.
d. **Reporting Period:** The rental amount for Federal coal leases is to be prorated to the effective date of the LMU. Thereafter, rental for Federal coal leases contained in the LMU will be due, in a lump sum, annually on the anniversary date of the LMU approval, March 1, 1997. Upon approval and for the duration of this LMU, no Federal rentals may be credited against production royalties for any Federal coal lease contained in the LMU, even though the Federal coal lease terms may have allowed for such credits prior to the effective date of the LMU. Royalties for Federal recoverable reserves produced within the LMU will be paid on the appropriate Minerals Management Service (MMS) Production and Operations reports every royalty reporting period. The LMU royalty reporting period will be on a monthly basis beginning with the royalty period after the date that coal is first produced following the effective date of the LMU. If coal is being produced on the effective date of the LMU approval, the first royalty reporting period will begin on the first day of the month following the effective date of the LMU. Since all production within an LMU is credited to the entire LMU, a certified record of all non-Federal LMU coal production must be provided to the Price Office Manager on an annual basis. Progress maps and reports required by 43 CFR 3483.2 will show all Federal and non-Federal production from anywhere within the LMU.

e. **Recoverable Coal reserves Exhaustion:** The 40-year LMU recoverable coal reserves exhaustion period commences the date the coal is first produced from the LMU, following the effective date of LMU approval. If there is production occurring within the LMU on the effective date of LMU approval, the 40-year clock begins on the effective date of LMU approval.

f. **Other:** If the LMU of which Federal coal leases SL-051279-063188, U-074064-027621, U-05722, UTU-69635 is a part, fails for whatever reason, the above-mentioned leases will automatically be applied had they not been included in an LMU.

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Canyon Fuel Company, L.L.C.

By [Signature]

Title: President and CEO

Date: May 13, 1997

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Bureau of Land Management

By [Signature]

Title: Acting, Deputy State Director, Natural Resources

Date: Jul 15, 1997
Sage Point Coal Company
 c/o Coastal States Energy Company
 Vernal J. Mortensen, Senior Vice President
 6955 Union Park Center, Suite 550
 Midvale, Utah 84047

Dear Vernal:

This letter is to clarify the status of coal lease U-07064-02781, whose readjustment is effective January 1, 1997.

Federal coal lease U-07064-02781 will not terminate January 1, 1997, for lack of diligent development. The diligent development requirement is satisfied by the lease's inclusion in the pending Soldier Creek Logical Mining Unit (LMU) filed in this office October 27, 1989, as amended October 31, 1991. [43 CFR 3483(c)].

Douglas M. Koza
Deputy State Director,
Natural Resources
The regulations under 43 CFR 3451.1(a)(1) and (2) state:

1. All leases issued prior to August 4, 1976, shall be subject to readjustment at the end of the current 20-year period and at the end of each 10-year period thereafter.

2. Any lease subject to readjustment which contains a royalty rate less than the minimum royalty prescribed in 43 CFR 3473.3-2 shall be readjusted to conform to the minimum prescribed in that section.

Coal lease U-07064-027821 was issued effective January 1, 1957. By notice dated January 10, 1995, Sage Point Coal Company was notified that the terms and conditions of the readjustment would be provided in accordance with the regulations under 43 CFR 3451 no later than 2 years from the date of the notice.

As provided in Section 3 of the lease and in accordance with the regulations under 43 CFR 3451.2, enclosed are the terms and conditions of coal lease U-07064-027821 effective January 1, 1997.

A lease bond in the amount of $8,000, conditioned upon compliance with all terms and conditions of the lease, is currently on file in the name of Soldier Creek Coal Company and is considered to be adequate bond coverage for this lease at the present time.

Coal lease U-07064-027821 is included in the pending Soldier Creek Logical Mining Unit (LMU). If the LMU is approved, the diligence requirements established in the LMU will supersede the diligence requirements of this lease. Enclosed are the diligence requirements for the lease, if, for some reason, the LMU is rejected. This information has been determined to be confidential and will not become a part of the public record.
Coal lease U-07064-027821 is hereby readjusted effective January 1, 1997, in accordance with the regulations at 43 CFR 3451.2.

Rentals and royalties shall be paid at the readjusted rates regardless of any administrative or judicial review, pursuant to 43 CFR 3451.2(e).

This decision may be appealed to the Interior Board of Land Appeals, Office of the Secretary, in accordance with the regulations contained in 43 CFR, Part 4 and the enclosed Form 1842-1. If an appeal is taken, your notice of appeal must be filed in this office (at the above address) within 30 days from receipt of this decision. The appellant has the burden of showing that the decision appealed from is in error.

If you wish to file a petition (request) (pursuant to regulation 43 CFR 4.21) (58 FR 4939, January 19, 1993) for a stay (suspension) of the effectiveness of this decision during the time that your appeal is being reviewed by the Board, the petition for a stay must accompany your notice of appeal. A petition for a stay is required to show sufficient justification based on the standards listed below. Copies of the notice of appeal and petition for a stay must also be submitted to each party named in this decision and to the Interior Board of Land Appeals and to the appropriate Office of the Solicitor (see 43 CFR 4.413) at the same time the original documents are filed in this office. If you request a stay, you have the burden of proof to demonstrate that a stay should be granted.

**Standards for Obtaining a Stay**

Except as otherwise provided by law or other pertinent regulation, a petition for a stay of a decision pending appeal shall show justification based on the following standards:

1. The relative harm to the parties if the stay is granted or denied,
2. The likelihood of the appellant’s success on the merits,
3. The likelihood of immediate and irreparable harm if the stay is not granted, and
4. Whether the public interest favors granting the stay.

G. William Lamb  
State Director

Enclosure  
Form 1842-1
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

COAL LEASE READJUSTMENT

Part I. LEASE RIGHTS GRANTED

This lease, entered into by and between the United States of America, hereinafter called the lessor, through the Bureau of Land Management, and

Sage Point Coal Company
C/O Coastal States Energy Company
6955 Union Park Center, Suite 550
Midvale, Utah 84047

hereinafter called lessee, is readjusted, effective January 1, 1997, for a period of 10 years and for so long thereafter as coal is produced in commercial quantities from the leased lands, subject to readjustment of lease terms at the end of each 10 year lease period.

Sec. 1. This lease readjustment is subject to the terms and provisions of the:


and to the regulations and formal orders of the Secretary of the Interior which are now or hereafter in force, when not inconsistent with the express and specific provisions herein.

Sec. 2. Lessor, in consideration of any rents and royalties to be paid, and the conditions and covenants to be observed as herein set forth, hereby grants to lessee the exclusive right and privilege to drill for, mine, extract, remove or otherwise process and dispose of the coal deposits in, upon, or under the following described lands:

- T. 13 S., R. 12 E., SLM, UTAH
  Sec. 13, S2;
  Sec. 23, E2E2, NESW, W2SE;
  Sec. 24, all;
  Sec. 25, N2N2;
  Sec. 26, N2NE.

- T. 13 S., R. 13 E., SLM, UTAH
  Sec. 18, lots 1-4, E2W2, NE1/4, NW1/4;
  Sec. 19, lots 1-4, E2W2, NE1/4, NW1/4;
  Sec. 30, lot 1.

containing 2,416.14 acres, more or less, together with the right to construct such works, buildings, plants, structures, equipment and appliances and right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.
PART II. TERMS AND CONDITIONS

Sec. 1. (a) RENTAL RATE. Lessee shall pay lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate of $3.00 for each lease year.

(b) RENTAL CREDITS. Rental shall not be credited against either production or advance royalties for any year.

Sec. 2. (a) PRODUCTION ROYALTIES. The royalty shall be 12½ percent of the value of coal produced by strip or auger mining methods and 8 percent of the value of coal produced by underground mining methods. Royalties are due to lessor the final day of the months succeeding the calendar month in which the royalty obligation accrues.

(b) ADVANCE ROYALTIES. Upon request by the lessee, the authorized officer may accept for a total of not more than 10 years, the payment of advance royalties in lieu of continued operation, consistent with the regulations. The advance royalty shall be based on a percent of the value of a minimum number of tons determined in the manner established by the advance royalty regulations in effect at the time the lessee requests approval to pay advance royalties in lieu of continued operation.

Sec. 3. BONDS. Lessee shall maintain in the proper office a lease bond in the amount of $8,000. The authorized officer may require an adjustment in the amount of the bond to reflect changed conditions.

Sec. 4. DILIGENCE. This lease is subject to the conditions of diligent development and continued operation, except that these conditions are excused when operations under the lease are interrupted by strikes, the elements, or casualties not attributable to the lessee. The lessor, in the public interest, may suspend the condition of continued operation upon payment of advance royalties in accordance with the regulations in existence at the time of the suspension. Lessee's failure to produce coal in commercial quantities at the end of 10 years shall terminate the lease. If not submitted already, lessee shall submit an operation and reclamation plan pursuant to Section 7 of the Act not later than 3 years after the effective date of this lease readjustment.

The lessor reserves the power to assent to or order the suspension of the terms and conditions of this lease in accordance with, inter alia, Section 39 of the Mineral Leasing Act, 30 U.S.C. 209.

Sec. 5. LOGICAL MINING UNIT (LMU). Either upon approval by the lessor of the lessee's application or at the direction of the lessor, this lease shall become an LMU or part of an LMU, subject to the provisions set forth in the regulations.

The stipulations established in an LMU approval in effect at the time of LMU approval will supersede the relevant inconsistent terms of this lease so long as the lease remains committed to the LMU. If the LMU of which this lease is a part is dissolved, the lease shall then be subject to the lease terms which would have been applied if the lease had not been included in an LMU.

Sec. 6. DOCUMENTS, EVIDENCE AND INSPECTION. At such times and in such form as lessor may prescribe, lessee shall furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost.
Lessee shall keep open at all time for the inspection of any duly authorized officer of lessor, the leased premises and all surface and underground improvements, works, machinery, ore stockpiles, equipment, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lessee shall allow lessor access to and copying of documents reasonably necessary to verify lessee compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 7. DAMAGES TO PROPERTY AND CONDUCT OF OPERATIONS. Lessee shall comply at its own expense with all reasonable orders of the Secretary, respecting diligent operations, prevention of waste, and protection of other resources.

Lessee shall not conduct exploration operations, other than casual use, without an approved exploration plan. All exploration plans prior to the commencement of mining operations within an approved mining permit area shall be submitted to the authorized officer.

Lessee shall carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health, or property, and prevention of waste, damage or degradation to any land, air, water, cultural, biological, visual, and other resources, including mineral deposits and formations of mineral deposits not leased hereunder, and to other land uses or users. Lessee shall take measures deemed necessary by lessor to accomplish the intent of this lease term. Such measures may include, but not limited to, modification to proposed siting or design of facilities, timing of operations, and specification of interim and final reclamation procedures. Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits, not covered hereunder and approving easements or rights-of-way. Lessor shall condition such uses to prevent unnecessary or unreasonable interference with rights of lessee as may be consistent with concepts of multiple use and multiple mineral development.

Sec. 8. PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY. Lessee shall: pay when due all taxes legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; restrict the workday to not more than 8 hours in any one day for underground workers, except in emergencies; and take measures necessary to protect the health and safety of the public. No person under the age of 16 years shall be employed in any mine below the surface. To the extent that laws of the State in which the lands are situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor.

Neither lessee nor lessee's subcontractors shall maintain segregated facilities.
Sec. 9(a) TRANSFERS

This lease may be transferred in whole or in part to any person, association, or corporation qualified to hold such lease interest.

This lease may be transferred in whole or in part to another public body, or to a person who will mine the coal on behalf of, and for the use of, the public body or to a person who for the limited purpose of creating a security interest in favor of a lender agrees to be obligated to mine the coal on behalf of the public body.

This lease may only be transferred in whole or in part to another small business qualified under 13 CFR 121.

Transfers of record title, working or royalty interest must be approved in accordance with the regulations.

(b) RELINQUISHMENT. The lessee may relinquish in writing at any time all rights under this lease or any portion thereof as provided in the regulations. Upon lessor's acceptance of the relinquishment, lessee shall be relieved of all future obligations under the lease or the relinquished portion thereof, whichever is applicable.

Sec. 10. DELIVERY OF PREMISES, REMOVAL OF MACHINERY, EQUIPMENT, ETC. At such time as all portions of this lease are returned to lessor, lessee shall deliver up to lessor the land leased, underground timbering, and such other supports and structures necessary for the preservation of the mine workings on the leased premises or deposits and place all workings in condition for suspension or abandonment. Within 180 days thereof, lessee shall remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by the authorized officer. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, shall become the property of the lessee, but lessee shall either remove any or all such property or shall continue to be liable for the cost of removal and disposal in the amount actually incurred by the lessor. If the surface is owned by third parties, lessor shall waive the requirement for removal, provided the third parties do not object to such waiver. Lessee shall, prior to the termination of bond liability or at any other time when required and in accordance with all applicable laws and regulations, reclaim all lands the surface of which has been disturbed, dispose of all debris or solid waste, repair the offsite and onsite damage caused by lessee's activity or activities incidental thereto, and reclaim access roads or trails.

Sec. 11. PROCEEDINGS IN CASE OF DEFAULT. If lessee fails to comply with applicable laws, existing regulations, or the terms, conditions and stipulations of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation by the lessor only by judicial proceedings. This provision shall not be construed to prevent the exercise by lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

Sec. 12. HEIRS AND SUCCESSORS - INTEREST. Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.
Sec. 13. INDEMNIFICATION. Lessee shall indemnify and hold harmless the United States from any and all claims arising out of the lessee's activities and operations under this lease.

Sec. 14. SPECIAL STATUTES. This lease is subject to the Federal Water Pollution Control Act (33 U.S.C. 1151 - 1175); the Clean Air Act (42 U.S.C. 1857 et seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation, including the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.)

Sec. 15. SPECIAL STIPULATIONS.

The following stipulations made part of this lease may be waived or amended with the mutual consent of the lessor and lessee.

1. In accordance with Sec. 523(b) of the "Surface Mining Control and Reclamation Act of 1977," surface mining and reclamation operations conducted on this lease are to conform with the requirements of this act and are subject to compliance with Office of Surface Mining regulations, or as applicable, a Utah program equivalent approved under cooperative agreement in accordance with Sec. 523(c). The United States Government does not warrant that the entire tract will be susceptible to mining.

2. The permitting of any mining operations on the lease will be subject to the possible designation of any portion of the lease as unsuitable for some or all kinds of surface mining under the regulations of the Department under the Surface Mining Control and Reclamation Act of 1977 (SMCRA) in effect at the time of action on the mine plan permit.

3. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the lessee may be required to conduct a cultural resource inventory of the areas to be disturbed. These studies shall be conducted by qualified professional cultural resource specialists and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified cultural resources.

If significant cultural resources are discovered during operations under this lease, the lessee shall immediately bring them to the attention of the authorized officer who shall evaluate or have evaluated such discoveries and, within 5 working days, shall notify the lessee what action shall be taken with respect to such discoveries.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the lessee.
4. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the lessee may be required to conduct a paleontological appraisal of the areas to be disturbed. The appraisal shall be conducted by qualified paleontologists and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified paleontological resources.

If paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the lessee shall immediately bring them to the attention of the authorized officer who shall evaluate or have evaluated such discoveries brought to his attention and, within 5 working days, shall notify the lessee what action shall be taken with respect to such discoveries. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracks commonly encountered during underground mining operations.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the lessee. The cost of salvage of paleontological remains (fossils) shall be borne by the United States.

5. If there is reason to believe that threatened or endangered (T&E) species of plants or animals, or migratory species of high Federal interest occur in the area, the lessee shall be required to conduct an intensive field inventory of the area to be disturbed and/or impacted. A listing of migratory birds of high Federal interest in Federal coal producing regions is published by the Fish and Wildlife Service, Migratory Bird Management Office, Washington, D.C. The inventory shall be conducted by qualified specialists and a report of findings will be prepared. A plan will be prepared making recommendations for the protection of these species or action necessary to mitigate the disturbance.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the lessee.

6. The lessee shall be required to perform a study to secure adequate baseline data to quantify the existing surface resources on and adjacent to the lease area. Existing data may be used if such data is adequate for the intended purposes. The study shall be adequate to locate, quantify, and demonstrate the inter-relationship of the geology, topography, surface hydrology, vegetation, and wildlife. Baseline data will be established so that future programs of observation can be incorporated at regular intervals for comparison.

7. Powerlines on the lease area used in conjunction with the mining of coal from this lease shall be constructed so as to provide adequate protection for raptors and other large birds. When feasible, powerlines will be located at least 100 yards from public roads.

8. The lessee shall provide for the suppression and control of fugitive dust on haul roads and at coal handling and storage facilities on the lease area. The migration of road surfacing and subsurface materials into streams and water courses shall be prevented.

9. The lessee shall be required to establish a monitoring system to locate, measure, and quantify the progressive and final effects of underground mining activities on the topographic surface, underground and surface hydrology and vegetation. The monitoring system shall utilize
techniques which will provide a continuing record of change over time and an analytical method for location and measurement of a number of points over the lease area. The monitoring shall incorporate and be an extension of the baseline data.

10. Except at specifically approved locations, underground mining operations shall be conducted in such a manner so as to prevent surface subsidence that would: 1) cause the creation of hazardous conditions such as potential escarpment failure and landslides, 2) cause damage to existing surface structures, or 3) damage or alter the flow of perennial streams.

11. In order to avoid surface disturbance on steep canyon slopes and to satisfy the need for surface access, all surface breakouts for ventilation tunnels shall be constructed from inside the mine, except at specifically approved locations.

12. Support facilities, structures, equipment, and similar developments will be removed from the lease area within 2 years after the final termination of use of such facilities. This provision shall apply unless the requirement of Section 10 of the lease form is applicable. Disturbed areas and those areas occupied by such facilities will be stabilized and rehabilitated, drainages reestablished, and the areas returned to a premining land use.

13. The lessee shall be required to pay the value of the royalty on coal left unmined without the authorized officer (AO) approval, which should have been recovered under the approval of a mine plan (Resource Recovery and Protection Plan, [R2P2]) and which would otherwise be lost or left economically inaccessible.
INFORMATION ON TAKING APPEALS TO THE BOARD OF LAND APPEALS

DO NOT APPEAL UNLESS
1. This decision is adverse to you, AND
2. You believe it is incorrect

IF YOU APPEAL, THE FOLLOWING PROCEDURES MUST BE FOLLOWED

1. NOTICE OF APPEAL . . . Within 30 days file a Notice of Appeal in the office which issued this decision (see 43 CFR Secs. 4.411 and 4.413). You may state your reasons for appealing, if you desire.

2. WHERE TO FILE NOTICE OF APPEAL . . . State Director, Utah
Bureau of Land Management
Utah State Office
P. O. Box 45155
Salt Lake City, Utah 84145-0155

SOLICITOR ALSO COPY TO . . . Regional Solicitor
Department of the Interior
Federal Building, Room 6201
Salt Lake City, Utah 84138

3. STATEMENT OF REASONS . . . Within 30 days after filing the Notice of Appeal, file a complete statement of the reasons why you are appealing. This must be filed with the United States Department of the Interior, Office of the Secretary, Board of Land Appeals, 4015 Wilson Blvd., Arlington, Virginia 22203 (see 43 CFR Sec. 4.412 and 4.413). If you fully state your reasons for appealing when filing the Notice of Appeal, no additional statement is necessary.

SOLICITOR ALSO COPY TO . . . Regional Solicitor
Department of the Interior
Federal Building, Room 6201
Salt Lake City, Utah 84138

4. ADVERSE PARTIES . . . Within 15 days after each document is filed, each adverse party named in the decision and the Regional Solicitor or Field Solicitor having jurisdiction over the State in which the appeal arose must be served with a copy of: (a) the Notice of Appeal, (b) the Statement of Reasons, and (c) any other documents filed (see 43 CFR Sec. 4.413). Service will be made upon the Associate Solicitor, Division of Energy and Resources, Washington, D.C. 20240, instead of the Field or Regional Solicitor when appeals are taken from decisions of the Director (WO-100).

5. PROOF OF SERVICE . . . Within 15 days after any document is served on an adverse party, file proof of that service with the United States Department of the Interior, Office of the Secretary, Board of Land Appeals, 4015 Wilson Blvd., Arlington, Virginia 22203. This may consist of a certified or registered mail "Return Receipt Card" signed by the adverse party (see 43 CFR Sec. 4.401(c)(2)).

NOTE: A document is not filed until it is actually received in the proper office (see 43 CFR Sec. 4.401(a)).
Diligence Requirements

Section 7 of the Mineral Leasing Act of 1920, as amended, subjects all Federal coal leases to diligence provisions. Diligence provisions include complying with diligent development and continued operation requirements. According to these requirements, Federal coal lease \( J-0764-027821 \) became subject to diligence by readjustment effective January 1, 1987.

In order for a Federal coal lease to achieve diligent development, it must produce commercial quantities (1 percent of the recoverable reserves) within a 10-year period of the date that it becomes subject to diligence. The diligent development period stops at the end of the royalty reporting period in which production of commercial quantities is achieved or at the end of the 10-year period, whichever comes first.

Once diligent development is achieved, commercial quantities must be produced every year thereafter to maintain continued operation either for the year in question or beginning in the third continued operation year, on the basis of a three year total.

Continued operation can also be satisfied by payment of advance royalty equivalent to the commercial quantities production shortage. This production shortage is based on the year in question or the three-year total, whichever is less. To avoid late payment charges, a lessee must apply to pay advance royalty within 30 days from the beginning of the continued operation year if no production is planned. If production is planned, but fails short of commercial quantities, the lessee must apply to pay advance royalty prior to the end of the continued operation year.

The Bureau of Land Management has determined that Federal coal lease \( J-0764-027821 \) contained 322,950 tons of coal on the date it became subject to diligence on January 1, 1987. Therefore, the commercial quantities requirement is 322,950 tons. According to our records, no production has taken place on this lease since January 1, 1987. Therefore, unless diligence is achieved by January 1, 1997, coal lease \( J-0764-027821 \) will terminate pursuant to authority of law.

If you have any questions, please call Stan Perkes in the Utah State Office at (801) 539-4036.
This Agreement is entered on this ___ day of August, 1996, but effective as of November 1, 1995, by and between the State of Utah, School and Institutional Trust Lands Administration, 3 Triad Center, Suite 400, 355 West North Temple, Salt Lake City, Utah, 84180 (referred to herein as “Lessor” or the “Trust Lands Administration”), and Sage Point Coal Company, a Delaware corporation, P.O. Box 1029, Wellington, Utah 84542 (“Lessee”).

Recitals

1. Lessor is the agency of Utah’s state government statutorily responsible for the management of state school and institutional trust lands and mineral resources located on such lands.

2. Lessee is the current lessee of state school trust coal leases ML 42648, ML 42649 and ML 44365, which leases include those certain school trust lands more specifically described in Exhibit A. The lands within ML 44365, ML 42648 and ML 42649 are collectively referred to herein as the “Subject Lands.”

3. ML 44365, ML 42648 and ML 42649 (collectively the “Subject Leases”) are located within the Soldier Canyon Mine and the proposed Dugout Canyon Mine area of operations.

4. The term of ML 42648 was to expire as of November 1, 1995 unless extended by (a) production of coal in commercial quantities, or (b) payment of a minimum royalty, together with diligent operations, exploration, development or similar activities on the leased lands or lands unitized with or part of an approved mining unit with the leased lands. As of November 1, 1995, ML 42648 was not in production, and was not unitized with or part of an approved mining unit with other lands. Lessor and Lessee agree that Lessee was engaged in diligent operation, exploration or development activities on ML 42648 as of November 1, 1995.
5. The term of ML 42649 was to expire on November 1, 1995 unless extended by: (a) production of coal in commercial quantities, or (b) payment of a minimum royalty, together with diligent operations, exploration, development or similar activities on the leased lands or lands unitized with or part of an approved mining unit with the leased lands. As of November 1, 1995, ML 42649 was held by production, but was not unitized with or part of an approved mining unit with other lands.

6. The term of ML 44365 expires on April 30, 1999 unless extended by: (a) production of coal in commercial quantities, or (b) payment of a minimum royalty, together with diligent operations, exploration, development or similar activities on the leased lands or lands unitized with or part of an approved mining unit with the leased lands. As of the date of this Agreement, ML 44365 had not reached the end of its primary term, and was not unitized with or part of an approved mining unit with other lands.

7. Section 53C-2-411 of the Utah Code Annotated authorizes the Director of the Trust Lands Administration to commit leased trust mineral lands to a unit or cooperative plan of development.

8. A cooperative unit plan of development for the Subject Leases would promote the orderly development of the Subject Leases, and permit the maintenance of the Subject Leases in force without requiring potentially wasteful and uneconomic mining on each of the Subject Leases annually. The Trust Lands Administration believes that entering into a cooperative unit plan of development on the terms set forth herein would increase the long term financial return to the trust and prevent waste of trust coal resources.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, the parties hereto agree as follows:

1. **Unitization of Subject Lands and Leases.** Subject to the terms of this Agreement, the Subject Lands and Subject Leases are hereby unitized as of November 1, 1995 (the “Effective Date”) for the purposes of permitting a single integrated mining operation, preserving the Subject Leases for uniform terms, and computing and paying rentals and royalties in a uniform manner.
2. **Lease Operation and Allocation of Production.** The Subject Lands and the Subject Leases shall be developed and operated as a single unit. All leased substances produced from any portion of the Subject Lands shall be deemed to have been produced uniformly from the Subject Lands, and shall be allocated for royalty purposes among the individual Subject Leases comprising the Subject Lands in the proportion that the acreage of each leasehold bears to the entire acreage of the Subject Lands. Diligent operations, exploration, research or development on, and all commercial production from, any portion of the Subject Lands shall be construed and deemed as pertaining to all Subject Lands.

3. **Rentals and Royalties.** Lessee agrees to pay rentals and royalties for the Subject Leases and production of unitized substances therefrom, as follows:

   a. **Annual Rentals.** Except as provided in paragraph 4 of this Agreement, an annual rental of three dollars ($3.00) per acre or fractional part of an acre for all lands committed to this Agreement shall be paid on or before November 1 of each year that this Agreement is in effect. Annual rental payments shall not be credited against minimum royalty, production royalty or any other payments due to the Lessor.

   b. **Minimum Royalties.** Except as provided in paragraph 4 of this Agreement, a minimum royalty shall be paid on or before November 1 of each year that this Agreement is in force, as set forth herein. The minimum royalty shall be calculated by multiplying the total estimated tons of coal reserves located on the Subject Lands, as determined pursuant to paragraph 7 of this Agreement, by the price of coal as determined in paragraph 8 of this agreement, by .0008. Minimum royalty payments may be credited by the Lessee against actual production royalties on the production of leased substances during the term of this Agreement. Any minimum annual royalty payment not credited by the Lessee against actual production royalties during the term of this Agreement shall be forfeited to the Lessor upon the expiration or termination of this agreement, and minimum royalty payments shall not be refundable.
c. Production Royalties. Production royalties shall be paid at the rate of 8% of the value of the leased substances produced from the Subject Lands. The value of leased substances shall be determined as set forth in paragraph 5.

4. Rentals and Minimum Royalties for Initial Year of Unit. This Agreement is entered into on or about August __, 1996, but effective as of November 1, 1995. In order to properly allocate rentals and minimum royalties in the initial year of this Agreement, Lessee and the Trust Lands Administration agree as follows:

a. Upon execution of this Agreement, Lessee shall pay an additional annual rental of $4,424 for ML 42649 for the year beginning November 1, 1995.

b. Upon execution of this Agreement, Lessee shall pay an additional annual rental of $7,280 for ML 42648 for the year beginning November 1, 1995.

c. Upon execution of this Agreement, Lessee shall pay an additional annual rental of $821 for ML 44365 for the year beginning November 1, 1995. The anniversary date for ML 44365 shall be amended from May 1 of each year to November 1, and annual rentals for such lease shall henceforth be due on November 1 rather than May 1. The expiration date of the primary term of ML 44365 is hereby extended to October 31, 1999.

d. Upon execution of this Agreement, retroactively, the minimum royalty for the year commencing November 1, 1995, will have been totally credited by actual production royalties paid to the School and Institutional Trust Lands Administration since November 1, 1995. The annual minimum royalty calculated as set forth in paragraph 3(b) shall commence on November 1, 1996.

5. Valuation of Coal for Royalty Purposes. Lessee shall pay a production royalty on 8% of the gross value at the mine of all leased substances produced from the Subject Leases. Where leased substances have been sold pursuant to an arms-length contract, gross value shall be the gross proceeds received by the Lessee, including all bonuses, allowances and reimbursements. It is expressly understood and agreed that none of Lessee’s mining or product costs, including but not limited, to materials, labor, overhead, taxes, loading costs, processing
costs, or general and administrative costs may be deducted in computing production royalties. All such costs shall be entirely borne by Lessee and are anticipated by the rate of royalty assigned in this Agreement. If the coal is not sold at the mine, reasonable transportation costs incurred pursuant to arms-length transportation contracts may be deducted from the gross value of the coal. If the coal is washed or otherwise treated, royalty shall be paid on the basis of its value as washed or treated coal. Lessee shall maintain accurate records of the amount of coal washed or treated and report on the sale price or sale value of the washed coal or treated coal. In no event shall the value of leased substances used to calculate production royalties under this Agreement be less than the value that would be obtained were applicable federal valuation regulations used to value the leased substances. In the event that leased substances are sold other than pursuant to an arms-length contract, or if the Trust Lands Administration determines that the sales price does not reflect the true value of the leased substances, the Trust Lands Administration may make its own determination of the value of the substances, using published indices of coal prices, prevailing contract prices for similar coal in the area of the Subject Lands, or other appropriate measures of value.

6. **Coalbed Methane.** The State of Utah received title to the lands within the Subject Leases through Indemnity List No. 329, approved October 11, 1985, as indemnity for the loss of the state's rights to certain base lands granted by the United States to the state pursuant to the Utah Enabling Act. Some of the lands conveyed by Indemnity List No. 329 included the surface estate and all minerals, while other lands within Indemnity List No. 329 were conveyed to the State of Utah for coal only. Under Utah and federal law, coalbed methane is generally considered part of the oil & gas estate, rather than part of the coal estate. Certain of the Subject Leases leased coalbed methane to Lessee, although the State may not have had title to the coalbed methane underlying all of the Subject Lands, for the reasons set forth above. Notwithstanding any language in the Subject Leases to the contrary, Lessee disclaims any interest in coalbed methane under any of the Subject Lands; provided, however, that Lessee may to the extent provided by law ventilate and dispose of any and all mine gases for safety purposes in conjunction with actual coal mining operations, without liability to the

"..."
Lessor for royalties on such gases. In the event that Lessee wishes to capture and use or sell coalbed methane within the Subject Lands, it shall obtain leases permitting the same from the owner of the oil & gas estate in the relevant lands.

7. Reserve Estimates. The total estimated recoverable coal reserves within the Subject Lands for purposes of determining minimum royalties pursuant to paragraph 3(b) are set forth in Schedule B attached hereto and made a part of this agreement. The total estimated recoverable reserves shall be reduced by the estimated recoverable reserves in any lands determined to be unmineable or in any unmined lands removed from the unit pursuant to paragraph 11. The total estimated recoverable reserves shall also be reduced each year, on October 1, by the amount of coal mined from the Subject Lands during the preceding twelve month period. The determination of minimum annual royalty for each succeeding year shall be revised accordingly.

8. Price of Coal. The price of coal for purposes of determining the minimum royalty required by paragraph 3(b) shall be the average price of coal mined from the Subject Lands that is sold under arms-length contracts, as such term is defined in 30 CFR 206.251 (1993), during the last quarter of the preceding calendar year and the first three quarters of the current calendar year in which such minimum royalty payment is due, provided that at least 75% of the total coal mined from the Subject Lands that is sold during such period of time is sold under arms-length contracts. In the event that less than 75% of the total coal mined from the Subject Lands that is sold during the aforesaid period of time is sold under arms-length contacts, or in the event there are no sales of coal mined from the Subject Lands during such period of time, then the price of coal for purposes of determining the minimum royalty required by paragraph 3(b) shall be the average estimated price of Utah coal as last published or determined by the State of Utah, Department of Natural Resources, Office of Energy and Resource Planning, or its successor agency, prior to the date upon which each annual minimum royalty payment is due. In the event that the State of Utah ceases publication of average annual coal prices, the Trust Lands Administration shall make a determination of an approximate average coal price for the purposes
of calculating minimum royalties, and shall notify Lessee of such determination at least thirty
days in advance of the due date for the payment of minimum royalties.

9. **Term and Termination.** This Agreement shall be effective for a term of ten years
from the Effective Date, unless earlier terminated as follows:
   a. **Automatic Termination.** This Agreement shall terminate automatically
      upon the cancellation of any of the Subject Leases due to any default by Lessee.
   b. **Termination Upon Default.** This Agreement may be terminated by the
      Trust Lands Administration after thirty days written notice upon any default by Lessee pursuant
to this Agreement, if Lessee has failed to cure such default.

10. **Extension of Subject Leases.** Upon execution of this Agreement, the Subject
Leases which are committed to this Agreement shall be considered as meeting the requirements
of diligent development for the purpose of extending the leases so long as this Agreement
remains in effect.

11. **Modification of Unit Boundaries.** The description of Subject Lands may be
expanded to include additional coal lands or contracted to delete any of the described lands by
written agreement between Lessor and Lessee. Upon expansion, the Trust Lands Administration
shall determine the amount of additional estimated recoverable coal reserves for minimum
royalty purposes. Upon contraction, any portion of the Subject Leases outside the unitized area
shall be deemed segregated into a separate lease. Such segregated lease(s), unless relinquished,
shall terminate on the later of (a) the expiration of the primary term of such segregated lease, or
(b) two years from the date of segregation, unless maintained by actual production of leased
substances.

12. **Leases Conformed.** While this Agreement is in effect, the terms and conditions of
the Subject Leases shall be deemed to be modified to conform to this Agreement. Except as
specifically modified by this Agreement, the terms of the Subject Leases shall remain in full
force and effect. The parties recognize and agree that ML 42648 and ML 42649 have been readjusted as of the Effective Date, and such readjusted provisions are incorporated herein except to the extent modified by this Agreement.

13. **Failure of Title.** In the event that the State’s title to any of the Subject Lands fails, such land(s) shall automatically cease to be committed to this Agreement. Upon such title failure, annual rentals and minimum royalties shall be adjusted prospectively to take into account the reduced acreage and recoverable reserves resulting from the title failure. It is expressly understood and agreed that the Trust Lands Administration does not warrant title to any of the Subject Lands and shall not be required to refund to the Lessee any rental, minimum royalty or production royalty previously paid in connection with the Subject Leases in the event of title failure. In the event that Lessor or Lessee receives notice of a claim adverse to Lessor’s title, each shall promptly notify the other. Upon such notice, Lessor shall hold all prospective rentals and royalties in suspense until final resolution of the claim. Nothing in this agreement shall prevent Lessee from relinquishing the Subject Leases as provided in the Subject Leases, in the event of title failure.

14. **No Partnership.** Nothing in this Agreement shall create or be deemed to have created a partnership, mining partnership, joint venture or association between the Trust Lands Administration and the other parties heretofore.

15. **Amendment.** This Agreement may be amended only by written agreement of all parties hereto.

16. **Binding Effect.** This Agreement shall be binding upon the parties and their respective successors and assigns. Lessee may not assign, convey or transfer any right granted under this Agreement without the prior written consent of Lessor. Any grant, transfer, assignment, or conveyance of interest in the coal leases subject hereto shall be and is hereby...
conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, assignee or other successor in interest.

17. **Governing Law.** This Agreement shall be governed by the laws of Utah.

18. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original instrument, but all of which together shall constitute but one and the same instrument. This Agreement shall become operative when each party has executed at least one counterpart of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Cooperative Unit Plan of Development on the date first above written, to be effective as of November 1, 1995.

---

THE STATE OF UTAH, acting by and through the
SCHOOL AND INSTITUTIONAL TRUST LANDS
ADMINISTRATION
DAVID T. TERRY, DIRECTOR

By ____________________________
JAMES D. COOPER, ASSISTANT DIRECTOR
School & Institutional Trust Lands Administration

SAGE POINT COAL COMPANY
By ____________________________
John W. Andrews
Special Assistant A.G.
STATE OF UTAH  
COUNTY OF SALT LAKE  

On the 15th day of October, 1996, personally appeared before me JAMES D. COOPER, who being by me duly sworn did say that he is the Assistant Director of the School and Institutional Trust Lands Administration of the State of Utah and the signer of the above instrument, who duly acknowledged that he executed the same.

Given under my hand and seal this 15th day of October, 1996.

Lynda Belnap  
NOTARY PUBLIC, residing at:

STATE OF UTAH  
COUNTY OF SALT LAKE  

On the 26th day of August, 1996, personally appeared before me VERNAL J. MOLTENESON, who being duly sworn did say that he is an officer of SAGE POINT COAL COMPANY and that said instrument was signed in behalf of said corporation by resolution of its Board of Directors, and said officer acknowledged to me that said corporation executed the same.

Given under my hand and seal this 26th day of August, 1996.

Annette E. Kennett  
NOTARY PUBLIC, residing at:  

INcorporated Effective  
MARCH 1, 2000
# SCHEDULE A

## Subject Lands

All in Township 13 South, Range 12 East, SLBM, Carbon County, Utah:

### ML 42648

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<thead>
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<th>Description</th>
<th>Acres</th>
</tr>
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<tbody>
<tr>
<td>8</td>
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<td>320.00</td>
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<tr>
<td>10</td>
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<tr>
<td>17</td>
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<td>20</td>
<td>E½NW¼, SW½NW¼, N½NE¼</td>
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<td>21</td>
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<td>23</td>
<td>W½NW¼</td>
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### ML 42649

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<tr>
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<tr>
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### ML 44365

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<td>6</td>
<td>Lots 1, 2, 3, 4, 5, 6, E½SW¼, SE¼</td>
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**TOTAL:** 6,409.20
## SCHEDULE B

*Coal Resources Recoverable @ 55%*

( Millions of Short Tons )

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<tr>
<th></th>
<th>Soldier Canyon Mine</th>
<th>Dugout Canyon Mine</th>
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<tr>
<td>Sunnyside Seam</td>
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<tr>
<td>Gilson Seam</td>
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<td>11.9</td>
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THIS UTAH STATE MINERAL LEASE AND AGREEMENT entered into and executed in duplicate as of the 11th day of October, 1985, and readjusted as of November 1, 1995, by and between the STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION, with its offices located at 355 West North Temple, 3 Triad Center, Suite 400, Salt Lake City, Utah 84180-1204, hereinafter called the "LESSOR," and Sage Point Coal Company
P.O. Box 1029
Wellington, Utah 84542

(whether one or more individuals, corporation, or other entities) with business office or address as shown above, hereinafter called the "LESSEE,"

WITNESSETH:

That the State of Utah as Lessor, for and in consideration of the fees, rents, royalties, and any other financial consideration paid or required to be paid by Lessee, and the terms and conditions to be performed by Lessee as hereinafter set forth, does hereby GRANT AND LEASE to the Lessee the exclusive right and privilege to explore for, drill for, mine, remove, and dispose of the particular minerals described in Article I hereof, hereinafter called the "leased substances," situated within the boundaries of the following-described tract of land (extending vertically downward from the surface) in Carbon County, State of Utah, to-wit:

Township 13 South, Range 12 East, SLB&M.
Section 8: E½
Section 10: S½
Section 11: S½
Section 14: All
Section 15: All
Section 17: NE¼, E½SW¼, SE¼
Section 20: E½NW¼, SW¼NW¼, N½NE¼
Section 21: N½NW¼, NE¼
Section 22: N½, N½S½
Section 23: W½NW¼

containing 3,640.00 acres, more or less.

This Mineral Lease is granted for and in consideration of and subject to all of the terms, provisions, and conditions hereinafter set forth:
ARTICLE I. MINERALS COVERED BY THIS LEASE

This Mineral Lease covers the following-described leased mineral substances within the boundaries of the above-described lands:

COAL, which shall mean and include black or brownish-black solid fossil fuel that has been subjected to the natural processes of coalification, and which falls within the classification of coal by rank: I Anthracite, II Bituminous, III Sub-Bituminous, IV Lignitic.

In the event Lessee, or the operator or any contractor for Lessee, shall discover within said lands some mineral or minerals other than the mineral or leased substances covered by this lease, Lessee shall promptly notify the Lessor of the kind or nature of such mineral not included in this lease.

ARTICLE II. PRIMARY TERM AND POSSIBLE EXTENSION OF TERM OF LEASE

This lease is granted for a primary term of TEN (10) years commencing on the first day of the month following the date hereinabove first written and as long thereafter as the leased substances shall be produced in commercial quantities from the above-described lands, on condition that Lessee shall perform the terms and provisions required to be performed by Lessee including payment of rents and royalties within the times required herein; provided however, that it is expressly agreed that at the end of each period of ten (10) years following the effective date of this lease, the State of Utah as Lessor shall have the right to readjust the terms and conditions of this lease as may then be determined to be in the best interest of the State of Utah as trustee owner of the mineral estate. In the event of failure or refusal of the Lessee to accept and agree to the readjustment of the terms and conditions submitted by Lessor at the end of such ten (10)-year period, such failure or refusal to accept such readjustment of terms, conditions, or royalty shall operate to forfeit any right to extension of the term of this Mineral Lease and terminate this lease except for the rights of the State of Utah to recover any royalties then owing the State and/or any damages for which Lessee may be liable. This lease may be extended as provided in Article VI (Fourth), but in no event will it be extended beyond the end of the twentieth year except by the production of the leased substances in commercial quantities from the leased lands. If Lessee ceases production of leased substances in commercial quantities this lease will terminate one (1) year from the date of last commercial production, unless Lessee commences commercial production at least three (3) months prior to the end of such year and such commercial production then continues for at least six (6) months.

ARTICLE III. APPLICABLE LAWS AND REGULATIONS

This lease is issued pursuant to the provisions of Title 53C, Utah Code Annotated, 1953, as amended, and subject to all valid Rules and Regulations and requirements adopted by the School and Institutional Trust Lands Administration, and of the Board of Oil, Gas, and Mining, applicable to the subject matter of this lease, together with all requirements of the Utah Coal Mining and Reclamation Act, the Utah Mined Land Reclamation Act, all requirements of the State Antiquities Act, Title 9, Chapter 8, and all valid statutes, rules and regulations relating to safety, sanitation, environmental protection, and health whether under the jurisdiction of the Division of Oil, Gas, and Mining with respect to operations under this lease or under the jurisdiction of some other State or federal agency.
ARTICLE IV. RIGHTS TO THE SURFACE ESTATE

If the surface estate of all or some portion of the leased lands is owned by the Lessor, Lessee may use such portions of the surface estate owned by Lessor as shall be reasonably necessary to explore and prospect for, mine, drill, remove, and dispose of the leased mineral substances, including permission to establish and maintain in a safe condition access roads, communication lines, tanks, pipelines, reservoirs, mills, processing plants, reduction works, dumps, and other essential structures, facilities, machinery, and equipment, reasonably necessary and expedient for the economic operation of the leasehold and in furtherance of production, treatment, and disposition of the leased substances under this lease. Such surface uses shall be exercised subject to the rights reserved to the State of Utah as provided in Article V hereof, and without unreasonable interference with the rights of any prior or subsequent lessee of the State of Utah under the program of multiple use. Upon the completion of mining, Lessee shall fully reclaim and restore the surface, including but not limited to the removal of all improvements, removal of dumps and spoil piles, recontouring, and revegetation. Lessee shall be liable for, and agrees to pay for, all damages to livestock, growing crops, water, and tangible improvements on the leased lands that may accrue by reason of Lessee's operations.

If the surface estate of any portion of the described lands is not owned by the State of Utah, except for a reserved right of entry to the mineral estate or mineral estates, the Lessee may exercise such right of entry to the mineral estate covered by this lease, at the sole cost and expense of Lessee herein and without cost to the State of Utah. If any damage is caused directly or indirectly to the surface estate by the Lessee or by the contractor or operator for Lessee, Lessee shall make proper restitution and indemnify the surface owner or owners. Lessee also shall make proper rehabilitation as required by the Utah Coal Mining and Reclamation Act, the Utah Mined Land Reclamation Act, and all lawful rules and regulations adopted thereunder.

Lessor will require a bond to be posted or other security given to the State to be filed with Lessor or any other State agency or officer in a principal amount determined by Lessor to be adequate to assure appropriate reclamation and restitution for any damage to the surface estate.

ARTICLE V. EXCEPTIONS AND EXCLUSIONS FROM LEASE

Lessor hereby excepts and reserves from the operation of this lease the following rights and privileges:

FIRST: The right to establish rights of way and easements on, through, or over the land above described, for utility corridors and for joint or joint and several uses, as may be necessary and appropriate for the management of the above-described lands and other lands of Lessor or lands administered by Lessor, and for the working of other deposits within said lands under mineral leases granted to others under the program of multiple use.

SECOND: The right to issue mineral leases to other lessees covering minerals not included in this lease, under such terms and conditions which will not unreasonably interfere with operations under this lease in accordance with the principle of multiple use provided by law.

THIRD: In the event Lessor owns the surface estate in said lands or portions of said lands above described, Lessor retains the right to use, lease, sell, or otherwise dispose of the surface estate in said lands or
any part thereof, under existing State laws or laws subsequently enacted, insofar as such surface is not essential for the Lessee herein in exploration, prospecting for, mining, drilling, removal, or disposal of the leased substances covered by this lease, to the extent that such use, lease, or sale of the surface estate does not unreasonably interfere with the rights granted to the Lessee herein. Lessor shall notify Lessee herein of any such sale, lease, use, or other disposition of the surface estate.

ARTICLE VI. PAYMENT OF RENTALS AND ROYALTIES

For and in consideration of the leasehold rights granted to the Lessee, in addition to all other terms and conditions required to be performed by the Lessee, the Lessee hereby covenants and agrees with Lessor to pay rentals and royalties as follows:

FIRST: Lessee agrees to pay Lessor as rental for the land covered by this lease the sum of One Dollar ($1.00) per acre and for each fractional part of an acre, each year in advance on or before the first day of the month following the anniversary date of this lease, for the first ten years of this lease, except the rental for the first year which has been paid with the application for this lease. For the eleventh and subsequent years of this lease, Lessee agrees to pay an annual rental of Three Dollars ($3.00) per acre and for each fractional part of an acre. All rentals paid shall be credited against actual Production Royalties for the lease year in which they shall accrue, but such rentals shall not be credited against the Minimum Royalties under subparagraph "Fourth" of this ARTICLE VI.

SECOND: Lessee shall pay a production royalty of 8% of the gross value at the mine of all leased substances produced from the leased premises. Where leased substances have been sold pursuant to an arms-length contract, gross value shall be the gross proceeds received by the Lessee, including all bonuses, allowances and reimbursements. It is expressly understood and agreed that none of Lessee’s mining or product costs, including but not limited to materials, labor, overhead, taxes, loading costs, processing costs, or general and administrative costs may be deducted in computing production royalties. All such costs shall be entirely borne by Lessee and are anticipated by the rate of royalty assigned in this Agreement. If the coal is not sold at the mine, reasonable transportation costs incurred pursuant to arms-length transportation contracts may be deducted from the gross value of the coal. If the coal is washed or otherwise treated, royalty shall be paid on the basis of its value as washed or treated coal. Lessee shall maintain accurate records of the amount of coal washed or treated and report on the sale price or sale value of the washed coal or treated coal. In no event shall the value of leased substances used to calculate production royalties under this Agreement be less than the value that would be obtained were applicable federal valuation regulations used to value the leased substances. In the event that leased substances are sold other than pursuant to an arms-length contract, or if the Trust Lands Administration determines that the sales price does not reflect the true value of the leased substances, the Trust Lands Administration may make its own determination of the value of the substances, using published indices of coal prices, prevailing contract prices for similar coal in the area of the Subject Lands, or other appropriate measures of value.

THIRD: Payment of Production Royalty shall be made by the Lessee to Lessor, as herein required, on or before the last day of the month next succeeding the month during which the coal is shipped, sold, processed, or used. In connection with such payment of Production Royalty, the Lessee shall submit to Lessor a certified statement of the coal produced; shipped; sold; processed; or used; including unwashed coal, washed,
or otherwise treated coal; coal developed into liquid or gaseous products; or other commercial products by in-situ process or treatment, mined, or extracted from the hereinabove described lands, together with such other information required by the School and Institutional Trust Lands Administration to verify production and disposition of the coal or coal products from the leased premises.

FOURTH: Lessee may maintain this lease in force beyond the primary term of ten (10) years from the effective date of this lease by paying Lessor, in addition to rentals and Production Royalties as hereinabove required, an annual minimum royalty of equivalent to ten times the annual rental, provided that the Lessee must also be engaged in diligent operations, exploration, research, or development activity which is reasonably calculated to advance development or production of the mineral covered by the lease from the leased premises or lands pooled or unitized with or constituting an approved mining or drilling unit in respect to the leased premises. Said annual minimum royalty shall be paid each year in advance, commencing with the eleventh year of the lease, along with the regular annual rental required to be paid under the terms of this lease. Said rental per acre and said Minimum Royalty shall be paid on each and every acre in this lease to extend the term of this lease and to keep this lease in force and effect. In no event shall this lease remain in effect beyond twenty years in the absence of actual production of leased substances in commercial quantities.

Rentals and Minimum Royalties paid annually shall be credited against actual Production Royalties for the year in which they accrue during the original term, or any extension thereof; but annual rentals shall not be credited against Minimum Royalties.

ARTICLE VII. MINERAL TITLE OF LESSOR

Lessor claims title to the mineral estate covered by this lease. Lessor does not warrant title nor represent that no one will dispute the title asserted by Lessor. It is expressly agreed that Lessor shall not be liable to Lessee for any alleged deficiency in title to the mineral estate, nor shall Lessee or any assigns of the Lessee become entitled to any refund for any rentals, bonuses, or royalties paid under this lease.

ARTICLE VIII. WATER RIGHTS

Any and all water rights developed on the leased land by Lessee shall be filed in the name of Lessor. Lessee shall have the full and free use of such water rights for lease operations during the term of the lease. Upon expiration or termination of the lease, such water rights shall be retained by Lessor. During the term of the lease, Lessee shall preserve, protect, and defend such water rights. Lessee shall assign and convey all existing water rights and any application for appropriation of water to beneficial use relating to the leased land or the mineral estate covered by this lease to Lessor.

If the Lessee shall purchase or otherwise acquire any water rights on some other land and file with the State Engineer appropriate application for change of use onto the premises covered by this lease, the Lessor therein shall have an option for 45 days after the expiration, surrender, or termination of this lease to purchase said otherwise acquired water rights at the acquisition costs of the Lessee. Such option shall begin to run from the date of termination, surrender, or expiration of this lease or from the date when Lessee shall specify in writing the acquisition costs of such other water rights, whichever date is the later date. Unless Lessor accepts such written offer to convey such rights at the actual acquisition costs within said period of 45 days, Lessor shall
be deemed to have rejected the offer. Upon payment of the said acquisition costs by the Lessor, Lessee herein shall assign and transfer such acquired water rights to the Lessor.

ARTICLE IX. WRITTEN CONSENT REQUIRED FOR ASSIGNMENT OR SUBLEASE

Lessee shall not assign this lease nor any portion thereof, nor any rights or privileges herein granted, without the prior written consent of Lessor. Nor shall the Lessee issue any sublease without the prior written consent of Lessor. Any assignment of lease and any sublease issued without prior written consent of Lessor shall be void ab initio.

In the event Lessor shall approve an assignment of this lease or of any part hereof, such assignment shall be subject to all of the terms, conditions, and obligations of the Lessee herein set forth. All of the terms, covenants, conditions, and obligations of the Lessee shall be binding upon the heirs, executors, administrators, successors, and assigns of the Lessee. This provision also shall apply to any sublease issued by Lessee and approved by Lessor.

ARTICLE X. OVERRIDING ROYALTY LIMITATION

Neither the Lessee nor the assignee of Lessee shall create or grant any overriding royalty except as permitted by law and by the Rules and Regulations of the School and Institutional Trust Lands Administration. Overriding royalty assignments shall not become effective, even if otherwise valid, until filed with the Lessor.

ARTICLE XI. SURRENDER OR RELINQUISHMENT OF LEASE

Upon approval of the Lessor and the payment of all rentals, royalties and other amounts then owing, Lessee may surrender this lease for cancellation by Lessor as to all or any part of the leased lands, but not for less than a quarter-quarter section or surveyed lot.

ARTICLE XII. NOTICE OF COMMENCEMENT OF OPERATIONS, PLANS, PLATS, BOND

Not less than sixty (60) days before commencement of exploration, drilling, or mining operations, Lessee shall give written notice hereof to the School and Institutional Trust Lands Administration and the Division of Oil, Gas, and Mining, together with a plan of operations and a topographic map showing every proposed shaft, tunnel, open pit, drill site, and access road to be used. Lessor shall make an assessment of such plan of operation and either endorse or stipulate changes in Lessee’s plan of operation, or request additional information within the sixty (60) day notification period. Lessee shall not proceed with the execution of any such plan of operation without first receiving the written approval of Lessor. Lessee shall maintain at the mine office clear, accurate, and detailed maps of all actual and planned operations on a scale of not more than 50 feet to the inch, with points coordinated with public land surveys showing distance to the nearest public survey monument or reestablished survey corner. Such maps and plats shall be on tracing cloth or other material which is substantially permanent and of which clear and distinct photo copies or blueprints can be readily made without unreasonable delay. Such maps or plats shall show the workings from time to time, as the same are extended. In the event that the operations on the above-described leasehold are intended to be conducted in conjunction with adjacent lands, whether Federal, State, or privately-owned lands, the map and plats shall clearly show how the operations are
to be coordinated. All surveys shall be conducted by a licensed surveyor or engineer qualified to practice in Utah. All such maps or plats shall be certified by the surveyor or engineer preparing the same. The State or any agency of the State of Utah, including the Division of Oil, Gas, and Mining, shall be entitled to a true and correct copy thereof, together with the proposed plans of operation.

After Lessor receives notice of intent to commence mining operations, upon request of the Lessor, the Lessee shall furnish a bond with an approved corporate surety company authorized to transact business in the State of Utah, or such other security acceptable to the Lessor, in an amount to be determined by Lessor, after taking into account the value of the land and the amount of potential damage which likely will result from such proposed mining operations, and which bond or other security shall be conditioned upon payment of all rentals and royalties from the leasehold and other sums which may become payable to the Lessor, and to assure full compliance with the terms and conditions of this lease and compliance with all Rules and Regulations of the School and Institutional Trust Lands Administration and all Rules and Regulations of any other State agency having jurisdiction over mining operations, and also conditioned upon payment of all damages to the surface and improvements thereon if this lease covers surface estate or some portion of the surface estate which has been sold or otherwise leased, and any damage caused by Lessee to any other lessee of the State of Utah with respect to said land. Such bond or other security furnished prior to commencement of development of the leasehold may be increased in such reasonable amounts as the Lessor may require after discovery of any of the leased substances.

If the plan of mining development or mining operations includes core-drilling, the plan of operations shall disclose the locations of core-drilling operations.

ARTICLE XIII. ALL OPERATIONS TO BE CONDUCTED IN A LAWFUL, PRUDENT MANNER

Lessee shall conduct all operations under this lease in a lawful, prudent, and good workmanlike manner for the effective and safe production of the mineral substances covered by this lease, and to avoid unnecessary damage and injury to the leasehold estate, and also to avoid damage and wastage of other natural resources not covered by this lease. All operations of Lessee, whether conducted directly by Lessee or by operators or contractors, shall be at the sole cost and expense of Lessee. Such methods of mining shall be used that will ensure the extraction of all economically recoverable coal.

It is expressly covenanted and agreed that Lessor does not grant Lessee or any person dealing with Lessee any right to subject the property hereinabove described, nor any leased substances, to any lien-rights for labor or mechanic’s liens, nor to any materialmen’s liens, nor to any other lien for any act, omission, neglect, or performance of Lessee or its agents, employees, and contractors. In the event any one shall file any notice or claim of lien against said property or any estate in said property, Lessee shall take all necessary steps expeditiously to have such notice or claim released of record. Lessee shall save Lessor harmless from any and all lien notices and claims against said land arising from any act or neglect of Lessee and any contractor or operator of Lessee in any operations on or relating to the hereinabove described lands.

Lessee shall not fence off or otherwise make inaccessible to livestock lawfully on the surface of said premises any watering place without the written consent of Lessor; provided, that Lessee shall not permit any livestock to come upon any portion of the leasehold to pollute any surface or subsurface water available or
capable of being made available for domestic use or irrigation. In the operations of Lessee, Lessee shall comply with all laws and regulations for control of water which might be encountered or which might seep into any formation, to avoid pollution of surface and underground waters as required by Chapter 11, Title 26, Utah Code Annotated, 1953, as amended. Lessee shall comply with all valid laws and regulations relating to prevention and suppression of fires, make all necessary provisions for sanitary disposal of wastes, and in all operations connected with said leasehold take appropriate measures for protection of human life and prevention of injuries and disease.

Lessee shall indemnify, defend and hold harmless the Lessor from all liability, claims, causes of action, damages or expenses arising out of or alleged to arise out of the operations of Lessee hereunder, or the presence on the leased lands of any employee, agent, contractor or subcontractor of Lessee.

ARTICLE XIV. RIGHTS OF LESSOR FOR INSPECTIONS OF LEASEHOLD AND RECORDS

Lessor, its officers, and agents have the right at all reasonable times to enter upon the leased lands and premises to inspect the conditions of the leasehold, the work done under the terms of this lease, and the production obtained from the leasehold, such entry and inspections to be done in such a manner as shall not unreasonably interfere with the lawful operations by the Lessee in performance of the terms and conditions of this lease.

Lessor also shall have the right to examine all books and records pertaining to operations under this lease whether such books and records are located within a building on the leased premises or located in an office elsewhere and to make copies and abstracts of such records if desired by Lessor. Lessor, its officers, and agents shall have the right to post upon or within the leasehold such notices deemed proper or expedient by Lessor.

If Lessee maintains an office in another State or in a foreign country, Lessee nevertheless shall maintain within the State of Utah proper and adequate records relating to operations on this leasehold and also relating to production of leased substances and payment of rentals and royalties. Lessee also shall have a resident agent in the State of Utah to whom any and all notices may be sent by Lessor and on whom process may be served. In the event of any change in the address of Lessee’s office in the State of Utah, Lessee shall promptly furnish Lessor with written notice of such change of address within the State of Utah. Examinations of records of Lessee by the Lessor shall be conducted at reasonable times.

In the event Lessee conducts core-drilling operations within the leasehold, or by directional drilling from adjacent land, Lessor shall have a right of inspection of core samples and any analysis made thereof and any assay; provided, that any report obtained by Lessor of any core-drilling operations may be declared confidential information by Lessee, in which event Lessor shall keep such information in a separate confidential information file. Such information shall not be disclosed to any competitor nor to any one except to a representative of the Attorney General of the State of Utah until Lessee waives confidentiality or upon surrender, expiration, or termination of this lease.

After completion of any core drilling, Lessee shall notify Lessor; and Lessee shall cause all core holes to be plugged or sealed as expeditiously as possible after the need for keeping such core holes unplugged ceases, in accordance with regulations and requirements of the Division of Oil, Gas, and Mining.
ARTICLE XV. OPERATIONS IN CONJUNCTION WITH MINING ON OTHER LANDS

In the event Lessee, in the interest of economy in mining operations, desires to conduct mining operations on or within the above-described lands in conjunction with mining operations on or within any adjacent Federal, State, or privately-owned land by utilization of shafts, inclines, or tunnels within either the above-described lands or within adjacent lands, Lessee shall make application in writing to the School and Institutional Trust Lands Administration and submit with such application a detailed plan of operations illustrating how leased substances mined from the above-described lands can and will be mined, segregated, and separately accounted for from leased substances mined from some adjacent land. No such operations shall be conducted without written approval of the School and Institutional Trust Lands Administration. Any approval granted by the School and Institutional Trust Lands Administration shall be conditioned upon proper segregation and proper accounting and record keeping of leased substances mined from each property. Separate records shall be required for accounting for leased substances mined from the above-described lands.

If there is any conjoint operation, there shall be no commingling of coal or coal products or substances produced from the above-described lands with those of adjacent lands until and unless there has been a completely accurate accounting on production from the above-described lands as distinguished from production from adjacent lands.

The production of coal and operations in connection therewith as conjoint operations shall be subject to such examination and review as deemed desirable by the School and Institutional Trust Lands Administration and the Division of Oil, Gas, and Mining, to determine whether any conjoint operations are detrimental to the State of Utah. If any such inspection results in an adverse report from either agency with recommendations for modification or discontinuance of such conjoint operations by order of the School and Institutional Trust Lands Administration, a copy of such report with recommendations for modification or discontinuance shall be submitted as expeditiously as possible to the Lessee. If any objectionable condition is not promptly remedied to safeguard the rights of the State as Lessor, the School and Institutional Trust Lands Administration shall have the right to order discontinuance of such arrangement; and failure to comply with such order of the School and Institutional Trust Lands Administration shall constitute a breach of this Lease Agreement.

ARTICLE XVI. SPECIAL REQUIREMENTS IN EVENT OF STRIP MINING

In the event Lessee desires to conduct any strip-mining or open-pit mining or operations which will materially disturb the surface of the above-described lands or some portion thereof, at least sixty (60) days before commencing such type of mining activities, Lessee shall submit to the School and Institutional Trust Lands Administration the proposed plan of operations together with a proposed plan of surface rehabilitation in compliance with the Utah Coal Mining and Reclamation Act, and the Utah Mined Land Reclamation Act and in compliance with the Rules and Regulations adopted thereunder. A copy of such proposed plan of operations and proposed plan of surface rehabilitation also shall be submitted to the Division of Oil, Gas, and Mining. No such operations shall be commenced until the Division of Oil, Gas, and Mining approves the plan of operations and approves a program of rehabilitation. Security may be required of Lessee to assure appropriate rehabilitation in accordance with the said statute and rules and regulations adopted thereunder.
ARTICLE XVII. EQUIPMENT OR FACILITIES TO REMAIN WITH THE LAND

Upon surrender, forfeiture, expiration, or termination of this lease, any and all underground timbering supports, shaft linings, rails, and other installations necessary for the support of underground tunnels, shafts, inclines, or other underground mine supports, together with all rails or head frames and all other underground construction and safety equipment annexed to the ground (excluding detachable motor-driven machinery) which cannot be removed without creating a danger to any shaft, tunnel, incline, or other underground improvements annexed to the mine, and including equipment installed underground to provide for ventilation of the mine or some portion thereof, shall be left within said land above described by the Lessee, operator, and contractor of Lessee and shall remain a part of the realty. Lessor shall acquire all rights thereto without indemnification of Lessee or operator or contractor for Lessee.

Except as herein specifically excepted, all personal property of Lessee, including removable machinery, equipment, tools, and stockpiles of leased substances for which royalty has been paid, shall remain the property of Lessee or operator or contractor for Lessee and Lessee or operator or contractor for Lessee may remove the same at the sole expense of Lessee or operator or contractor within two (2) months following expiration, forfeiture, surrender, or termination of this lease, except that the School and Institutional Trust Lands Administration for good cause shown shall have the right to grant a reasonable extension of time beyond the period of two (2) months for removal of any and all equipment which may be removed by Lessee or operator or contractor as herein provided. At the end of such period, Lessor may consider abandoned and lay claim to any or all equipment or stockpiles remaining on the premises.

Upon expiration, surrender, forfeiture, or termination of this lease or abandonment of the leasehold by Lessee, the Lessee shall cause to be sealed or properly shut off all or parts of the mine openings including shafts and tunnels in the manner and method required by the Director of the Division of Oil, Gas, and Mining, and to abate any hazardous condition which may have been left by Lessee, such abatement of hazardous condition to be performed in accordance with reasonable requirements of the Director of the Division of Oil, Gas, and Mining.

ARTICLE XVIII. INTEREST

Interest shall accrue and be payable on all obligations arising under this lease at such rate as may be set from time to time by rule enacted by Lessor. Interest shall accrue and be payable, without necessity of demand, from the date each such obligation shall arise.

ARTICLE XIX. CONSENT TO SUIT IN STATE DISTRICT COURT

It is agreed that if there arises any controversy between Lessor and Lessee or any successor in interest of Lessee which needs to be litigated, Lessee or any one claiming by or under the Lessee shall bring such action in the District Court of Salt Lake County, State of Utah, after compliance with the requirements of State statutes for bringing suit, including compliance with the requirements of the State Governmental Immunity Act, Title 63, Chapter 30, Utah Code Annotated, 1953, as amended. Neither Lessee nor any assignee of lessee nor any one claiming under, by, or through the Lessee shall bring any suit against the State of Utah or against any State
agreement in the United States District Court for the District of Utah, nor in any other United States District Court in some other state, nor in the District of Columbia.

ARTICLE XX. REMEDIES FOR DEFAULT BY LESSEE OR ASSIGNS

This Mineral Lease and the terms and conditions of this lease agreement issued by the State of Utah are made with the Lessee herein on condition that Lessee and any lawful successor in interest to Lessee shall perform all covenants and terms and conditions herein set forth to be performed by Lessee or its lawful assigns including payment of rentals and royalties as herein provided; and if at any time there shall be default on the part of lessee or breach of any of the terms or conditions hereof on the part of Lessee or by the successor in interest to the Lessee; and if such default or breach shall continue for a period of thirty (30) days after written notice from Lessor of such default or breach given to Lessee or successor in interest addressed to Lessee or successor in interest at the last address furnished by Lessee or successor in interest by United States mail, then at the expiration of said period of thirty (30) days immediately following such notice if the default or breach has not been remedied, then at the expiration of said period of thirty (30) days, at the option of the Lessor, Lessor may issue written notice of termination and cancellation of this lease and forfeiture declaring that the leased premises and each and every part thereof have thereby reverted to the Lessor, including any and all fixtures and improvements required to be left with the property upon expiration, termination, or cancellation of this lease.

In the event that the leasehold estate shall have been damaged or injured by the acts or neglect of the Lessee or operator, contractor, or assigns of Lessee, Lessor also shall have a right of action for damages and for restitution for any failure or refusal to comply with the terms and conditions of any statute of this State relating to reclamation or rehabilitation, or for abatement of pollution, together with rights for injunctive relief. Lessor also shall have the right to recover on any bond or other security deposited with the State of Utah in accordance with the terms or conditions hereinabove set forth for indemnification.

IN WITNESS WHEREOF, the parties have executed this lease as of the date hereinabove first written.

APPROVED AS TO FORM:
JAN GRAHAM
ATTORNEY GENERAL

By

Form Approved: March 26, 1996

THE STATE OF UTAH, acting by and through the
SCHOOL AND INSTITUTIONAL TRUST LANDS
ADMINISTRATION

DAVID T. TERRY, DIRECTOR

By

JAMES D. COOPER, ASSISTANT DIRECTOR
School & Institutional Trust Lands Administration - LESSOR

Vernal J. Mortensen, Executive Vice President
Sage Point Coal Company

LESSEE
STATE OF UTAH
COUNTY OF SALT LAKE

On the 15th day of October, 1996, personally appeared before me JAMES D. COOPER, who being by me duly sworn did say that he is the Assistant Director of the School and Institutional Trust Lands Administration of the State of Utah and the signer of the above instrument, who duly acknowledged that he executed the same.

Given under my hand and seal this 15th day of October, 1996.

Lynda Belnap
NOTARY PUBLIC, residing at:

My Commission Expires:

STATE OF UTAH
COUNTY OF SALT LAKE

On the 26th day of August, 1996, personally appeared before me VERNAL J. MARTENSEN, who being duly sworn did say that he is an officer of the above corporation and that said instrument was signed in behalf of said corporation by resolution of its Board of Directors, and said that he duly acknowledged to me that said corporation executed the same.

Given under my hand and seal this 26th day of August, 1996.

Annette F. Kennett
NOTARY PUBLIC, residing at:
MINERAL LEASE APPLICATION NO. 42649  GRANT: School

UTAH STATE LEASE FOR
COAL
(READJUSTED AS OF NOVEMBER 1, 1995)

THIS UTAH STATE MINERAL LEASE AND AGREEMENT entered into and executed in duplicate as of the 11th day of October, 1985, and readjusted as of November 1, 1995, by and between the STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION, with its offices located at 355 West North Temple, 3 Triad Center, Suite 400, Salt Lake City, Utah 84180-1204, hereinafter called the "LESSOR," and

Sage Point Coal Company
P.O. Box 1029
Wellington, Utah 84542

(whether one or more individuals, corporation, or other entities) with business office or address as shown above, hereinafter called the "LESSEE,"

WITNESSETH:

That the State of Utah as Lessor, for and in consideration of the fees, rents, royalties, and any other financial consideration paid or required to be paid by Lessee, and the terms and conditions to be performed by Lessee as hereinafter set forth, does hereby GRANT AND LEASE to the Lessee the exclusive right and privilege to explore for, drill for, mine, remove, and dispose of the particular minerals described in Article I hereof, hereinafter called the "leased substances," situated within the boundaries of the following-described tract of land (extending vertically downward from the surface) in Carbon County, State of Utah, to-wit:

Township 13 South, Range 12 East, SLB&M,
Section 3: All
Section 4: All
Section 5: Lots 1, 2, SE1/4
Section 9: All
Section 10: N1/2
Section 11: N1/2

containing 2,212.00 acres, more or less.

This Mineral Lease is granted for and in consideration of and subject to all of the terms, provisions, and conditions hereinafter set forth:
ARTICLE I. MINERALS COVERED BY THIS LEASE

This Mineral Lease covers the following-described leased mineral substances within the boundaries of the above-described lands:

COAL, which shall mean and include black or brownish-black solid fossil fuel that has been subjected to the natural processes of coalification, and which falls within the classification of coal by rank: I Anthracite, II Bituminous, III Sub-Bituminous, IV Lignitic.

In the event Lessee, or the operator or any contractor for Lessee, shall discover within said lands some mineral or minerals other than the mineral or leased substances covered by this lease, Lessee shall promptly notify the Lessor of the kind or nature of such mineral not included in this lease.

ARTICLE II. PRIMARY TERM AND POSSIBLE EXTENSION OF TERM OF LEASE

This lease is granted for a primary term of TEN (10) years commencing on the first day of the month following the date hereinafter first written and as long thereafter as the leased substances shall be produced in commercial quantities from the above-described lands, on condition that Lessee shall perform the terms and provisions required to be performed by Lessee including payment of rents and royalties within the times required herein; provided however, that it is expressly agreed that at the end of each period of ten (10) years following the effective date of this lease, the State of Utah as Lessor shall have the right to readjust the terms and conditions of this lease as may then be determined to be in the best interest of the State of Utah as trustee owner of the mineral estate. In the event of failure or refusal of the Lessee to accept and agree to the readjustment of the terms and conditions submitted by Lessor at the end of such ten (10)-year period, such failure or refusal to accept such readjustment of terms, conditions, or royalty shall operate to forfeit any right to extension of the term of this Mineral Lease and terminate this lease except for the rights of the State of Utah to recover any royalties then owing the State and/or any damages for which Lessee may be liable. This lease may be extended as provided in Article VI(Fourth), but in no event will it be extended beyond the end of the twentieth year except by the production of the leased substances in commercial quantities from the leased lands. If Lessee ceases production of leased substances in commercial quantities this lease will terminate one (1) year from the date of last commercial production, unless Lessee commences commercial production at least three (3) months prior to the end of such year and such commercial production then continues for at least six (6) months.

ARTICLE III. APPLICABLE LAWS AND REGULATIONS

This lease is issued pursuant to the provisions of Title 53C, Utah Code Annotated, 1953, as amended, and subject to all valid Rules and Regulations and requirements adopted by the School and Institutional Trust Lands Administration, and of the Board of Oil, Gas, and Mining, applicable to the subject matter of this lease, together with all requirements of the Utah Coal Mining and Reclamation Act, the Utah Mined Land Reclamation Act, all requirements of the State Antiquities Act, Title 9, Chapter 8, and all valid statutes, rules and regulations relating to safety, sanitation, environmental protection, and health whether under the jurisdiction of the Division of Oil, Gas, and Mining with respect to operations under this lease or under the jurisdiction of some other State or federal agency.
ARTICLE IV. RIGHTS TO THE SURFACE ESTATE

If the surface estate of all or some portion of the leased lands is owned by the Lessor, Lessee may use such portions of the surface estate owned by Lessor as shall be reasonably necessary to explore and prospect for, mine, drill, remove, and dispose of the leased mineral substances, including permission to establish and maintain in a safe condition access roads, communication lines, tanks, pipelines, reservoirs, mills, processing plants, reduction works, dumps, and other essential structures, facilities, machinery, and equipment, reasonably necessary and expedient for the economic operation of the leasehold and in furtherance of production, treatment, and disposition of the leased substances under this lease. Such surface uses shall be exercised subject to the rights reserved to the State of Utah as provided in Article V hereof, and without unreasonable interference with the rights of any prior or subsequent lessee of the State of Utah under the program of multiple use. Upon the completion of mining, Lessee shall fully reclaim and restore the surface, including but not limited to the removal of all improvements, removal of dumps and spoils piles, recontouring, and revegetation. Lessee shall be liable for, and agrees to pay for, all damages to livestock, growing crops, water, and tangible improvements on the leased lands that may accrue by reason of Lessee’s operations.

If the surface estate of any portion of the described lands is not owned by the State of Utah, except for a reserved right of entry to the mineral estate or mineral estates, the Lessee may exercise such right of entry to the mineral estate covered by this lease, at the sole cost and expense of Lessee herein and without cost to the State of Utah. If any damage is caused directly or indirectly to the surface estate by the Lessee or by the contractor or operator for Lessee, Lessee shall make proper restitution and indemnify the surface owner or owners. Lessee also shall make proper rehabilitation as required by the Utah Coal Mining and Reclamation Act, the Utah Mined Land Reclamation Act, and all lawful rules and regulations adopted thereunder.

Lessor will require a bond to be posted or other security given to the State to be filed with Lessor or any other State agency or officer in a principal amount determined by Lessor to be adequate to assure appropriate reclamation and restitution for any damage to the surface estate.

ARTICLE V. EXCEPTIONS AND EXCLUSIONS FROM LEASE

Lessor hereby excepts and reserves from the operation of this lease the following rights and privileges:

FIRST: The right to establish rights of way and easements on, through, or over the land above described, for utility corridors and for joint or joint and several uses, as may be necessary and appropriate for the management of the above-described lands and other lands of Lessor or lands administered by Lessor, and for the working of other deposits within said lands under mineral leases granted to others under the program of multiple use.

SECOND: The right to issue mineral leases to other lessees covering minerals not included in this lease, under such terms and conditions which will not unreasonably interfere with operations under this lease in accordance with the principle of multiple use provided by law.

THIRD: In the event Lessor owns the surface estate in said lands or portions of said lands above described, Lessor retains the right to use, lease, sell, or otherwise dispose of the surface estate in said lands or
any part thereof, under existing State laws or laws subsequently enacted, insofar as such surface is not essential for the Lessee herein in exploration, prospecting for, mining, drilling, removal, or disposal of the leased substances covered by this lease, to the extent that such use, lease, or sale of the surface estate does not unreasonably interfere with the rights granted to the Lessee herein. Lessor shall notify Lessee herein of any such sale, lease, use, or other disposition of the surface estate.

ARTICLE VI. PAYMENT OF RENTALS AND ROYALTIES

For and in consideration of the leasehold rights granted to the Lessee, in addition to all other terms and conditions required to be performed by the Lessee, the Lessee hereby covenants and agrees with Lessor to pay rentals and royalties as follows:

FIRST: Lessee agrees to pay Lessor as rental for the land covered by this lease the sum of One Dollar ($1.00) per acre and for each fractional part of an acre, each year in advance on or before the first day of the month following the anniversary date of this lease, for the first ten years of this lease, except the rental for the first year which has been paid with the application for this lease. For the eleventh and subsequent years of this lease, Lessee agrees to pay an annual rental of Three Dollars ($3.00) per acre and for each fractional part of an acre. All rentals paid shall be credited against actual Production Royalties for the lease year in which they shall accrue, but such rentals shall not be credited against the Minimum Royalties under subparagraph "Fourth" of this ARTICLE VI.

SECOND: Lessee shall pay a production royalty of 8% of the gross value at the mine of all leased substances produced from the leased premises. Where leased substances have been sold pursuant to an arms-length contract, gross value shall be the gross proceeds received by the Lessee, including all bonuses, allowances and reimbursements. It is expressly understood and agreed that none of Lessee's mining or product costs, including but not limited to materials, labor, overhead, taxes, loading costs, processing costs, or general and administrative costs may be deducted in computing production royalties. All such costs shall be entirely borne by Lessee and are anticipated by the rate of royalty assigned in this Agreement. If the coal is not sold at the mine, reasonable transportation costs incurred pursuant to arms-length transportation contracts may be deducted from the gross value of the coal. If the coal is washed or otherwise treated, royalty shall be paid on the basis of its value as washed or treated coal. Lessee shall maintain accurate records of the amount of coal washed or treated and report on the sale price or sale value of the washed coal or treated coal. In no event shall the value of leased substances used to calculate production royalties under this Agreement be less than the value that would be obtained were applicable federal valuation regulations used to value the leased substances. In the event that leased substances are sold other than pursuant to an arms-length contract, or if the Trust Lands Administration determines that the sales price does not reflect the true value of the leased substances, the Trust Lands Administration may make its own determination of the value of the substances, using published indices of coal prices, prevailing contract prices for similar coal in the area of the Subject Lands, or other appropriate measures of value.

THIRD: Payment of Production Royalty shall be made by the Lessee to Lessor, as herein required, on or before the last day of the month next succeeding the month during which the coal is shipped, sold, processed, or used. In connection with such payment of Production Royalty, the Lessee shall submit to Lessor a certified statement of the coal produced; shipped; sold; processed; or used; including unwashed coal, washed,
or otherwise treated coal; coal developed into liquid or gaseous products; or other commercial products by in-situ process or treatment, mined, or extracted from the hereinabove described lands, together with such other information required by the School and Institutional Trust Lands Administration to verify production and disposition of the coal or coal products from the leased premises.

FOURTH: Lessee may maintain this lease in force beyond the primary term of ten (10) years from the effective date of this lease by paying Lessor, in addition to rentals and Production Royalties as hereinabove required, an annual minimum royalty of equivalent to ten times the annual rental, provided that the Lessee must also be engaged in diligent operations, exploration, research, or development activity which is reasonably calculated to advance development or production of the mineral covered by the lease from the leased premises or lands pooled or unitized with or constituting of an approved mining or drilling unit in respect to the leased premises. Said annual minimum royalty shall be paid each year in advance, commencing with the eleventh year of the lease, along with the regular annual rental required to be paid under the terms of this lease. Said rental per acre and said Minimum Royalty shall be paid on each and every acre in this lease to extend the term of this lease and to keep this lease in force and effect. In no event shall this lease remain in effect beyond twenty years in the absence of actual production of leased substances in commercial quantities.

Rentals and Minimum Royalties paid annually shall be credited against actual Production Royalties for the year in which they accrue during the original term, or any extension thereof; but annual rentals shall not be credited against Minimum Royalties.

ARTICLE VII. MINERAL TITLE OF LESSOR

Lessor claims title to the mineral estate covered by this lease. Lessor does not warrant title nor represent that no one will dispute the title asserted by Lessor. It is expressly agreed that Lessor shall not be liable to Lessee for any alleged deficiency in title to the mineral estate, nor shall Lessee or any assigns of the Lessee become entitled to any refund for any rentals, bonuses, or royalties paid under this lease.

ARTICLE VIII. WATER RIGHTS

Any and all water rights developed on the leased land by Lessee shall be filed in the name of Lessor. Lessee shall have the full and free use of such water rights for lease operations during the term of the lease. Upon expiration or termination of the lease, such water rights shall be retained by Lessor. During the term of the lease, Lessee shall preserve, protect, and defend such water rights. Lessee shall assign and convey all existing water rights and any application for appropriation of water to beneficial use relating to the leased land or the mineral estate covered by this lease to Lessor.

If the Lessee shall purchase or otherwise acquire any water rights on some other land and file with the State Engineer appropriate application for change of use onto the premises covered by this lease, the Lessor herein shall have an option for 45 days after the expiration, surrender, or termination of this lease to purchase said otherwise acquired water rights at the acquisition costs of the Lessee. Such option shall begin to run from the date of termination, surrender, or expiration of this lease or from the date when Lessee shall specify in writing the acquisition costs of such other water rights, whichever date is the later date. Unless Lessor accepts such written offer to convey such rights at the actual acquisition costs within said period of 45 days, Lessor shall
be deemed to have rejected the offer. Upon payment of the said acquisition costs by the Lessor, Lessee herein shall assign and transfer such acquired water rights to the Lessor.

**ARTICLE IX. WRITTEN CONSENT REQUIRED FOR ASSIGNMENT OR SUBLEASE**

Lessee shall not assign this lease nor any portion thereof, nor any rights or privileges herein granted, without the prior written consent of Lessor. Nor shall the Lessee issue any sublease without the prior written consent of Lessor. Any assignment of lease and any sublease issued without prior written consent of Lessor shall be void ab initio.

In the event Lessor shall approve an assignment of this lease or of any part hereof, such assignment shall be subject to all of the terms, conditions, and obligations of the Lessee herein set forth. All of the terms, covenants, conditions, and obligations of the Lessee shall be binding upon the heirs, executors, administrators, successors, and assigns of the Lessee. This provision also shall apply to any sublease issued by Lessee and approved by Lessor.

**ARTICLE X. OVERRIDING ROYALTY LIMITATION**

Neither the Lessee nor the assignee of Lessee shall create or grant any overriding royalty except as permitted by law and by the Rules and Regulations of the School and Institutional Trust Lands Administration. Overriding royalty assignments shall not become effective, even if otherwise valid, until filed with the Lessor.

**ARTICLE XI. SURRENDER OR RELINQUISHMENT OF LEASE**

Upon approval of the Lessor and the payment of all rentals, royalties and other amounts then owing, Lessee may surrender this lease for cancellation by Lessor as to all or any part of the leased lands, but not for less than a quarter-quarter section or surveyed lot.

**ARTICLE XII. NOTICE OF COMMENCEMENT OF OPERATIONS, PLANS, PLATS, BOND**

Not less than sixty (60) days before commencement of exploration, drilling, or mining operations, Lessee shall give written notice hereof to the School and Institutional Trust Lands Administration and the Division of Oil, Gas, and Mining, together with a plan of operations and a topographic map showing every proposed shaft, tunnel, open pit, drill site, and access road to be used. Lessor shall make an assessment of such plan of operation and either endorse or stipulate changes in Lessee’s plan of operation, or request additional information within the sixty (60) day notification period. Lessee shall not proceed with the execution of any such plan of operation without first receiving the written approval of Lessor. Lessee shall maintain at the mine office clear, accurate, and detailed maps of all actual and planned operations on a scale of not more than 50 feet to the inch, with points coordinated with public land surveys showing distance to the nearest public survey monument or reestablished survey corner. Such maps and plats shall be on tracing cloth or other material which is substantially permanent and of which clear and distinct photo copies or blueprints can be readily made without unreasonable delay. Such maps or plats shall show the workings from time to time, as the same are extended. In the event that the operations on the above-described leasehold are intended to be conducted in conjunction with adjacent lands, whether Federal, State, or privately-owned lands, the map and plats shall clearly show how the operations are
to be coordinated. All surveys shall be conducted by a licensed surveyor or engineer qualified to practice in Utah. All such maps or plats shall be certified by the surveyor or engineer preparing the same. The State or any agency of the State of Utah, including the Division of Oil, Gas, and Mining, shall be entitled to a true and correct copy thereof, together with the proposed plans of operation.

After Lessor receives notice of intent to commence mining operations, upon request of the Lessor, the Lessee shall furnish a bond with an approved corporate surety company authorized to transact business in the State of Utah, or such other security acceptable to the Lessor, in an amount to be determined by Lessor, after taking into account the value of the land and the amount of potential damage which likely will result from such proposed mining operations, and which bond or other security shall be conditioned upon payment of all rentals and royalties from the leasehold and other sums which may become payable to the Lessor, and to assure full compliance with the terms and conditions of this lease and compliance with all Rules and Regulations of the School and Institutional Trust Lands Administration and all Rules and Regulations of any other State agency having jurisdiction over mining operations, and also conditioned upon payment of all damages to the surface and improvements thereon if this lease covers surface estate or some portion of the surface estate which has been sold or otherwise leased, and any damage caused by Lessee to any other lessee of the State of Utah with respect to said land. Such bond or other security furnished prior to commencement of development of the leasehold may be increased in such reasonable amounts as the Lessor may require after discovery of any of the leased substances.

If the plan of mining development or mining operations includes core-drilling, the plan of operations shall disclose the locations of core-drilling operations.

**ARTICLE XIII. ALL OPERATIONS TO BE CONDUCTED IN A LAWFUL, PRUDENT MANNER**

Lessee shall conduct all operations under this lease in a lawful, prudent, and good workmanlike manner for the effective and safe production of the mineral substances covered by this lease, and to avoid unnecessary damage and injury to the leasehold estate, and also to avoid damage and wastage of other natural resources not covered by this lease. All operations of Lessee, whether conducted directly by Lessee or by operators or contractors, shall be at the sole cost and expense of Lessee. Such methods of mining shall be used that will ensure the extraction of all economically recoverable coal.

It is expressly covenanted and agreed that Lessor does not grant Lessee or any person dealing with Lessee any right to subject the property hereinabove described, nor any leased substances, to any lien-rights for labor or mechanic's liens, nor to any materialmen's liens, nor to any other lien for any act, omission, neglect, or performance of Lessee or its agents, employees, and contractors. In the event any one shall file any notice or claim of lien against said property or any estate in said property, Lessee shall take all necessary steps expeditiously to have such notice or claim released of record. Lessee shall save Lessor harmless from any and all lien notices and claims against said land arising from any act or neglect of Lessee and any contractor or operator of Lessee in any operations on or relating to the hereinabove described lands.

Lessee shall not fence off or otherwise make inaccessible to livestock lawfully on the surface of said premises any watering place without the written consent of Lessor; provided, that Lessee shall not permit any livestock to come upon any portion of the leasehold to pollute any surface or subsurface water available or
capable of being made available for domestic use or irrigation. In the operations of Lessee, Lessee shall comply with all laws and regulations for control of water which might be encountered or which might seep into any formation, to avoid pollution of surface and underground waters as required by Chapter 11, Title 26, Utah Code Annotated, 1953, as amended. Lessee shall comply with all valid laws and regulations relating to prevention and suppression of fires, make all necessary provisions for sanitary disposal of wastes, and in all operations connected with said leasehold take appropriate measures for protection of human life and prevention of injuries and disease.

Lessee shall indemnify, defend and hold harmless the Lessor from all liability, claims, causes of action, damages or expenses arising out of or alleged to arise out of the operations of Lessee hereunder, or the presence on the leased lands of any employee, agent, contractor or subcontractor of Lessee.

ARTICLE XIV. RIGHTS OF LESSOR FOR INSPECTIONS OF LEASEHOLD AND RECORDS

Lessor, its officers, and agents have the right at all reasonable times to enter upon the leased lands and premises to inspect the conditions of the leasehold, the work done under the terms of this lease, and the production obtained from the leasehold, such entry and inspections to be done in such a manner as shall not unreasonably interfere with the lawful operations by the Lessee in performance of the terms and conditions of this lease.

Lessor also shall have the right to examine all books and records pertaining to operations under this lease whether such books and records are located within a building on the leased premises or located in an office elsewhere and to make copies and abstracts of such records if desired by Lessor. Lessor, its officers, and agents shall have the right to post upon or within the leasehold such notices deemed proper or expedient by Lessor.

If Lessee maintains an office in another State or in a foreign country, Lessee nevertheless shall maintain within the State of Utah proper and adequate records relating to operations on this leasehold and also relating to production of leased substances and payment of rentals and royalties. Lessee also shall have a resident agent in the State of Utah to whom any and all notices may be sent by Lessor and on whom process may be served. In the event of any change in the address of Lessee's office in the State of Utah, Lessee shall promptly furnish Lessor with written notice of such change of address within the State of Utah. Examinations of records of Lessee by the Lessor shall be conducted at reasonable times.

In the event Lessee conducts core-drilling operations within the leasehold, or by directional drilling from adjacent land, Lessor shall have a right of inspection of core samples and any analysis made thereof and any assay; provided, that any report obtained by Lessor of any core-drilling operations may be declared confidential information by Lessee, in which event Lessor shall keep such information in a separate confidential information file. Such information shall not be disclosed to any competitor nor to any one except to a representative of the Attorney General of the State of Utah until Lessee waives confidentiality or upon surrender, expiration, or termination of this lease.

After completion of any core drilling, Lessee shall notify Lessor, and Lessee shall cause all core holes to be plugged or sealed as expeditiously as possible after the need for keeping such core holes unplugged ceases, in accordance with regulations and requirements of the Division of Oil, Gas, and Mining.
ARTICLE XV. OPERATIONS IN CONJUNCTION WITH MINING ON OTHER LANDS

In the event Lessee, in the interest of economy in mining operations, desires to conduct mining operations on or within the above-described lands in conjunction with mining operations on or within any adjacent Federal, State, or privately-owned land by utilization of shafts, inclines, or tunnels within either the above-described lands or within adjacent lands, Lessee shall make application in writing to the School and Institutional Trust Lands Administration and submit with such application a detailed plan of operations illustrating how leased substances mined from the above-described lands can and will be mined, segregated, and separately accounted for from leased substances mined from some adjacent land. No such operations shall be conducted without written approval of the School and Institutional Trust Lands Administration. Any approval granted by the School and Institutional Trust Lands Administration shall be conditioned upon proper segregation and proper accounting and record keeping of leased substances mined from each property. Separate records shall be required for accounting for leased substances mined from the above-described lands.

If there is any conjoint operation, there shall be no commingling of coal or coal products or substances produced from the above-described lands with those of adjacent lands until and unless there has been a completely accurate accounting on production from the above-described lands as distinguished from production from adjacent lands.

The production of coal and operations in connection therewith as conjoint operations shall be subject to such examination and review as deemed desirable by the School and Institutional Trust Lands Administration and the Division of Oil, Gas, and Mining, to determine whether any conjoint operations are detrimental to the State of Utah. If any such inspection results in an adverse report from either agency with recommendations for modification or discontinuance of such conjoint operations by order of the School and Institutional Trust Lands Administration, a copy of such report with recommendations for modification or discontinuance shall be submitted as expeditiously as possible to the Lessee. If any objectionable condition is not promptly remedied to safeguard the rights of the State as Lessor, the School and Institutional Trust Lands Administration shall have the right to order discontinuance of such arrangement; and failure to comply with such order of the School and Institutional Trust Lands Administration shall constitute a breach of this Lease Agreement.

ARTICLE XVI. SPECIAL REQUIREMENTS IN EVENT OF STRIP-MINING

In the event Lessee desires to conduct any strip-mining or open pit mining or operations which will materially disturb the surface of the above-described lands or some portion thereof, at least sixty (60) days before commencing such type of mining activities, Lessee shall submit to the School and Institutional Trust Lands Administration the proposed plan of operations together with a proposed plan of surface rehabilitation in compliance with the Utah Coal Mining and Reclamation Act, and the Utah Mined Land Reclamation Act and in compliance with the Rules and Regulations adopted thereunder. A copy of such proposed plan of operations and proposed plan of surface rehabilitation also shall be submitted to the Division of Oil, Gas, and Mining. No such operations shall be commenced until the Division of Oil, Gas, and Mining approves the plan of operations and approves a program of rehabilitation. Security may be required of Lessee to assure appropriate rehabilitation in accordance with the said statute and rules and regulations adopted thereunder.
ARTICLE XVII. EQUIPMENT OR FACILITIES TO REMAIN WITH THE LAND

Upon surrender, forfeiture, expiration, or termination of this lease, any and all underground timbering supports, shaft linings, rails, and other installations necessary for the support of underground tunnels, shafts, inclines, or other underground mine supports, together with all rails or head frames and all other underground construction and safety equipment annexed to the ground (excluding detachable motor-driven machinery) which cannot be removed without creating a danger to any shaft, tunnel, incline, or other underground improvements annexed to the mine, and including equipment installed underground to provide for ventilation of the mine or some portion thereof, shall be left within said land above described by the Lessee, operator, and contractor of Lessee and shall remain a part of the realty. Lessor shall acquire all rights thereto without indemnification of Lessee or operator or contractor for Lessee.

Except as herein specifically excepted, all personal property of Lessee, including removable machinery, equipment, tools, and stockpiles of leased substances for which royalty has been paid, shall remain the property of Lessee or operator or contractor for Lessee and Lessee or operator or contractor for Lessee may remove the same at the sole expense of Lessee or operator or contractor within two (2) months following expiration, forfeiture, surrender, or termination of this lease, except that the School and Institutional Trust Lands Administration for good cause shown shall have the right to grant a reasonable extension of time beyond the period of two (2) months for removal of any and all equipment which may be removed by Lessee or operator or contractor as herein provided. At the end of such period, Lessor may consider abandoned and lay claim to any or all equipment or stockpiles remaining on the premises.

Upon expiration, surrender, forfeiture, or termination of this lease or abandonment of the leasehold by Lessee, the Lessee shall cause to be sealed or properly shut off all or parts of the mine openings including shafts and tunnels in the manner and method required by the Director of the Division of Oil, Gas, and Mining, and to abate any hazardous condition which may have been left by Lessee, such abatement of hazardous condition to be performed in accordance with reasonable requirements of the Director of the Division of Oil, Gas, and Mining.

ARTICLE XVIII. INTEREST

Interest shall accrue and be payable on all obligations arising under this lease at such rate as may be set from time to time by rule enacted by Lessor. Interest shall accrue and be payable, without necessity of demand, from the date each such obligation shall arise.

ARTICLE XIX. CONSENT TO SUIT IN STATE DISTRICT COURT

It is agreed that if there arises any controversy between Lessor and Lessee or any successor in interest of Lessee which needs to be litigated, Lessee or any one claiming by or under the Lessee shall bring such action in the District Court of Salt Lake County, State of Utah, after compliance with the requirements of State statutes for bringing suit, including compliance with the requirements of the State Governmental Immunity Act, Title 63, Chapter 30, Utah Code Annotated, 1953, as amended. Neither Lessee nor any assignee of lessee nor any one claiming under, by, or through the Lessee shall bring any suit against the State of Utah or against any State
agency in the United States District Court for the District of Utah, nor in any other United States District Court in some other state, nor in the District of Columbia.

ARTICLE XX. REMEDIES FOR DEFAULT BY LESSEE OR ASSIGNS

This Mineral Lease and the terms and conditions of this lease agreement issued by the State of Utah are made with the Lessee herein on condition that Lessee and any lawful successor in interest to Lessee shall perform all covenants and terms and conditions herein set forth to be performed by Lessee or its lawful assigns including payment of rentals and royalties as herein provided; and if at any time there shall be default on the part of lessee or breach of any of the terms or conditions hereof on the part of Lessee or by the successor in interest to the Lessee; and if such default or breach shall continue for a period of thirty (30) days after written notice from Lessor of such default or breach given to Lessee or successor in interest addressed to Lessee or successor in interest at the last address furnished by Lessee or successor in interest by United States mail, then at the expiration of said period of thirty (30) days immediately following such notice if the default or breach has not been remedied, then at the expiration of said period of thirty (30) days, at the option of the Lessor, Lessor may issue written notice of termination and cancellation of this lease and forfeiture declaring that the leased premises and each and every part thereof have thereby reverted to the Lessor, including any and all fixtures and improvements required to be left with the property upon expiration, termination, or cancellation of this lease.

In the event that the leasehold estate shall have been damaged or injured by the acts or neglect of the Lessee or operator, contractor, or assigns of Lessee, Lessor also shall have a right of action for damages and for restitution for any failure or refusal to comply with the terms and conditions of any statute of this State relating to reclamation or rehabilitation, or for abatement of pollution, together with rights for injunctive relief. Lessor also shall have the right to recover on any bond or other security deposited with the State of Utah in accordance with the terms or conditions hereinabove set forth for indemnification.

IN WITNESS WHEREOF, the parties have executed this lease as of the date hereinabove first written.

THE STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION

DAVID T. TERRY, DIRECTOR

By

JAMES D. COOPER, ASSISTANT DIRECTOR
School & Institutional Trust Lands Administration - LESSOR

VERNAL J. MORTENSEN, Executive Vice President
Sage Point Coal Company

LESSEE

APPROVED AS TO FORM:
JAN GRAHAM
ATTORNEY GENERAL

By

Form Approved: March 26, 1996
STATE OF UTAH
COUNTY OF SALT LAKE

On the 15th day of October, 1996, personally appeared before me JAMES D. COOPER, who being by me duly sworn did say that he is the Assistant Director of the School and Institutional Trust Lands Administration of the State of Utah and the signer of the above instrument, who duly acknowledged that he executed the same.

Given under my hand and seal this 15th day of October, 1996.

My Commission Expires: 

STATE OF UTAH
COUNTY OF SALT LAKE

On the ______ day of ______, 19____, personally appeared before me ______, signer of the above instrument, who duly acknowledged to me that ______ executed the same.

Given under my hand and seal this ______ day of ______, 19____.

My Commission Expires: 

STATE OF UTAH
COUNTY OF SALT LAKE

On the 26th day of August, 1996, personally appeared before me ______, who being duly sworn did say that he is an officer of ______, and that said instrument was signed in behalf of said corporation by resolution of its Board of Directors, and said that ______ acknowledged to me that said corporation executed the same.

Given under my hand and seal this 26th day of August, 1996.
October 28, 1997

Ken Payne, Project Manager
Dugout Canyon Mine
Canyon Fuel Co.
P.O. Box 1029
Wellington, UT 84542

RE: ML 42648--Coal

Dear Mr. Payne,

I am in receipt of your letter dated October 24, 1997, giving notice of intent to construct an access road, sediment pond, and leach field upon the surface of trust lands in Section 23, T13S, R12E, SLB&M, under the above numbered coal lease. The coal lease provides that Lessee may have reasonable use of the surface in constructing facilities necessary to mine the coal.

The Trust Lands Administration concurs with the proposed uses of the surface so long as coal lease ML 42648 remains in good standing. Also, this approval is conditioned upon the understanding that construction of said surface facilities will not interfere with the recovery of any potentially recoverable coal resources within the lands under ML 42648.

The Trust Lands Administration further concurs with the post-mining reclamation and land use proposed for the effected lands. The Trust Lands Administration should be notified in the future when the reclamation work is performed at the conclusion of mining.

Please contact me if I may be of any further assistance in the permitting process for the Dugout Canyon Mine.

Sincerely,

[Signature]

John T. Blake
Mineral Resources Specialist

cc: Daron Haddock
UTAH STATE LEASE FOR COAL
ML 48435-OBA

THIS COAL MINING LEASE AND AGREEMENT (the "Lease") is entered into and executed in duplicate as of September 1, 2000 (the "Effective Date") by and between the STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION, 675 East 500 South, Suite 500, Salt Lake City, Utah 84102 ("Lessor"), and

CANYON FUEL COMPANY, LLC
6955 SOUTH UNION PARK CENTER, SUITE 540
MIDVALE, UT 84047

having a business address as shown above ("Lessee").

WITNESSETH:

That the State of Utah, as Lessor, in consideration of the rentals, royalties, and other financial consideration paid or required to be paid by Lessee, and the covenants of Lessee set forth below, does hereby

GRANT AND LEASE to Lessee the exclusive right and privilege to explore for, drill for, mine, remove, transport, convey, cross-haul, commingle, and sell the coal located within the boundaries of the following-described tract of land (the "Leased Premises") located in Carbon County, State of Utah:

T. 13 S., R. 13 E., SLB&M
Sec. 17: SW/4, SW/4SE/4;
Sec. 19: NE/4SE/4, S/2SE/4;
Sec. 20: All;
Sec. 21: SW/4NW/4, SW/4;
Sec. 28: NW/4, N/2SW/4, SW/4SW/4;
Sec. 29: All;
Sec. 30: E/2, E/2W/2.

Containing 2,560.00 acres, more or less.

Together with the right and privilege to make use of the surface (but only to the extent owned by Lessor) and subsurface of the Leased Premises for uses incident to the mining of coal by Lessee on the Leased Premises or on other lands under the control of Lessee or mined in connection with operations on the Leased Premises, including, but not limited to, conveying, storing, loading, hauling, commingling, cross-hauling, and otherwise transporting coal; excavating; removing, stockpiling, depositing and redepositing of surface materials; and the subsidence, mitigation, restoration and reclamation of the surface.

This Coal Mining Lease and Agreement is subject to, and Lessee hereby agrees to and accepts, the following covenants, terms, and conditions:
1. **LEASED MINERALS.**

1.1 **Coal.** This mineral lease covers coal, which shall mean and include black or brownish-black solid fossil fuels that have been subjected to the natural processes of coalification, and which fall within the classification of coal by rank as anthracitic, bituminous, sub-bituminous, or lignitic, together with closely associated substances which include, but are not limited to other hydrocarbon substances physically contained within the same geologic strata as the coal. In the event that minerals other than coal are discovered during lease operations, Lessee shall promptly notify the Lessor.

1.2 **Coalbed Methane.** To the extent that Lessor owns gas, coalbed methane or coal seam gas (collectively “coalbed methane”) within the Leased Premises, Lessee may remove, vent, flare or capture such coalbed methane from the coal strata being mined and any overlying formations if such removal is necessary for safety reasons in the reasonable discretion of Lessee. If Lessee captures or uses such coalbed methane, it shall pay Lessor royalties on the value of such coalbed methane at the prevailing state royalty rate for natural gas, unless such royalties are expressly waived by Lessor. If the event that Lessor does not own coalbed methane within the Leased Premises, Lessee must obtain the consent of the owner of such coalbed methane prior to removal or capture of such gas. Except as expressly granted herein, the right to extract gas, coalbed methane and coal seam gas is not granted by this Lease.

1.3 **No Warranty of Title.** Lessor claims title to the mineral estate covered by this Lease. Lessor does not warrant title nor represent that no one will dispute the title asserted by Lessor. It is expressly agreed that Lessor shall not be liable to Lessee for any alleged deficiency in title to the mineral estate, nor shall Lessee become entitled to any refund for any rentals, bonuses, or royalties paid under this Lease in the event of title failure.

1.4 **Reversion of Leased Premises to United States.** Pursuant to the May 8, 1998 “Agreement to Exchange Utah School Trust Lands Between the State of Utah and the United States of America”, as ratified by Pub. L. No. 105-335, 112 Stat. 3139, ownership of the Leased Premises shall revert to the United States when thirty-four (34) million tons of coal have been produced from either or both the Leased Premises and the Muddy Coal Tract. Upon reversion, the United States shall succeed the State of Utah as Lessor.

2. **RESERVATIONS TO LESSOR.** Subject to the exclusive rights and privileges granted to Lessee under this Lease, and further provided that Lessor shall refrain from taking actions with respect to the Leased Premises that may unreasonably interfere with Lessee’s operations, Lessor hereby excepts and reserves from the operation of this Lease the following rights and privileges (to the extent that Lessor has the right to grant such rights and privileges):

2.1 **Rights-of-Way and Easements.** Lessor reserves the right, following consultation with the Lessee, to establish rights-of-way and easements upon, through or over the Leased Premises, under terms
and conditions that will not unreasonably interfere with operations under this Lease, for roads, pipelines, electric transmission lines, transportation and utility corridors, mineral access, and any other purpose deemed reasonably necessary by Lessor.

2.2 **Other Mineral Leases.** Lessor reserves the right to enter into mineral leases and agreements with third parties covering minerals other than coal, under terms and conditions that will not unreasonably interfere with operations under this Lease in accordance with Lessor's regulations, if any, governing multiple mineral development.

2.3 **Use and Disposal of Surface.** To the extent that Lessor owns the surface estate of the Leased Premises and subject to the rights granted to the Lessee pursuant to this Lease, Lessor reserves the right to use, lease, sell, or otherwise dispose of the surface estate or any part thereof. Lessor shall notify Lessee of any such sale, lease, or other disposition of the surface estate.

2.4 **Previously Authorized Improvements.** If authorized improvements have been placed upon the Leased Premises by a third party prior to the commencement of this Lease, Lessee shall allow the owner of such improvements to remove them within ninety (90) days after the Lease term commences. Nothing in this paragraph shall authorize Lessee to remove surface improvements where Lessor does not own the surface estate.

2.5 **Rights Not Expressly Granted.** Lessor further reserves all rights and privileges of every kind and nature, except as specifically granted in this Lease.

3. **TERM OF LEASE; READJUSTMENT.**

3.1 **Primary Term.** This Lease is granted for a "primary term" of ten (10) years commencing on the Effective Date and for a "secondary term" of an additional ten (10) years, subject to Lessee's compliance with the requirements of paragraph 3.3, Diligent Operations; Minimum Royalty.

3.2 **Extension Beyond Secondary Term.** Subject to Lessee's compliance with the other provisions of this Lease, this Lease shall remain in effect beyond the secondary term and for as long thereafter as coal is produced in commercial quantities from the Leased Premises, or from lands constituting either (i) a logical mining unit approved by the Bureau of Land Management containing the Leased Premises, or (ii) a mining unit, in which the recoverable coal reserves can be developed in an efficient, economical and orderly manner as a unit with due regard to the conservation of recoverable coal reserves. The second type of mining unit requires a determination by the Lessor that the criteria set forth in item (ii) have been satisfied. The satisfaction of either (i) or (ii) above shall mean that the Lease is contained within an "approved mining unit." For the purposes of this Lease, production of coal in commercial quantities shall mean production during each lease year of at least one percent (1%) of the recoverable coal reserves within the Leased Premises or within lands constituting an approved mining unit which includes the Leased Premises, as such recoverable coal reserves are determined by Lessor after
consultation with Lessee, subject to adjustment from time to time based upon reasonable justification from the Lessee.

3.3 Diligent Operations: Minimum Royalty. In the absence of actual production in commercial quantities as set forth in paragraph 3.2, Extension Beyond Secondary Term, this Lease shall remain in effect beyond the primary term only if the Lessee is engaged in diligent operations, exploration, research, or development activity (which development activity shall include, but not be limited to, pursuit of required permits and approvals) which in Lessor's reasonable discretion is calculated to advance development or production of coal from the Leased Premises or lands constituting an approved mining unit which includes the Leased Premises, and Lessee pays an annual minimum royalty in advance on or before the anniversary date of the Effective Date. The minimum royalty shall be calculated by determining the production royalty that would be payable upon production of one per cent (1%) of the recoverable coal reserves within the Leased Premises, as such recoverable coal reserves are determined by Lessor after consultation with Lessee, subject to adjustment from time to time based upon reasonable justification from the Lessee. The unit value of the recoverable coal reserves for purposes of determining the minimum royalty shall be determined by Lessor using the methodology set forth in 43 Code of Federal Regulations §3483.4(c)(1)-(3) (1998). Minimum royalties paid by Lessee pursuant to this paragraph may be credited against production royalties accruing during the term of this Lease.

3.4 Expiration: Cessation of Production. This Lease may not be extended pursuant to paragraph 3.3, Diligent Operations; Minimum Royalty, beyond the end of the twentieth year after the Effective Date except by the actual production of coal in commercial quantities from the Leased Premises or from lands constituting an approved mining unit which includes the Leased Premises. After expiration of the secondary term, this Lease will expire of its own terms, without the necessity of any notice or action by Lessor, if Lessee ceases production of coal in commercial quantities for an entire lease year, unless the Lease is suspended pursuant to paragraph 16.3, Suspension.

3.5 Readjustment. At the end of the primary term and at the end of each period of ten (10) years thereafter, Lessor may readjust the terms and conditions of this Lease (including without limitation rental rates, minimum royalties, royalty rates and valuation methods, and provisions concerning reclamation). In the event that the State as Lessor makes such readjustment prior to reversion, it shall not apply terms and conditions more economically disadvantageous than corresponding federal regulations and lease terms unless, based upon written findings after consultation with Lessee, it determines that the individual term or condition imposing the economic disadvantage is necessary to serve the best interests of the beneficiaries of the subject trust lands. If within thirty (30) days after submission of the readjusted lease terms to the Lessee, the Lessee determines that any or all of the proposed readjusted terms and conditions are unacceptable, then Lessee shall so notify Lessor in writing and the parties shall attempt to resolve the objectionable term or condition. If the parties are unable to resolve the matter and agree upon the readjusted terms and conditions submitted by Lessor at the end of such ten (10) year period, Lessee shall forfeit any right to the continued extension of this lease, and the lease shall.
automatically terminate, provided that nothing herein shall be deemed to preclude Lessee from appealing any readjustment by Lessor pursuant to applicable law.

3.6 **Relinquishment.** Lessee may relinquish all or portions of this Lease at any time by filing a written notice of relinquishment with Lessor. Lessor may disapprove any relinquishment if Lessee has failed to pay all rentals, royalties, and other amounts due and owing to the Lessor, if the lease is otherwise not in good standing, or if relinquishment would in Lessor's reasonable determination cause waste of economically recoverable coal. Lessee may not relinquish parcels smaller than a quarter-quarter section or surveyed lot. Upon approval, relinquishment shall relieve the Lessee of all future rental obligations as to the relinquished lands effective as of the date of filing of the relinquishment, but shall not relieve Lessee from other obligations to the extent provided in paragraph 15.2, Effect of Termination.

4. **BONUS BID.** Lessee agrees to pay Lessor, an initial bonus bid in the sum of One Million dollars ($1,000,000.00) as partial consideration for Lessor's issuance of this Lease, payable in four equal annual installments of $100,000.00 followed by five equal annual installments of $120,000.00 commencing on the Effective Date. The unpaid balance of the bonus bid shall not bear interest; provided, however, that if this Lease is relinquished or otherwise terminated prior to the payment in full of the bonus bid, or if Lessee fails to make any bonus bid payment when due, the entire unpaid balance of the bonus bid shall immediately become due without regard to such relinquishment or termination, and such balance shall thereafter bear interest as provided in paragraph 16.2, Interest. Lessor may require Lessee to submit a bond or other sufficient surety to secure Lessee's obligation to pay the unpaid balance of the bonus bid. The initial bonus bid may not be credited against any other bonus payments, annual rentals or royalties accruing under the lease.

In addition to the initial bonus bid of $1,000,000.00, Lessee agrees to pay Lessor a deferred bonus equal to 1.5% of the value of all coal severed and removed from the Leased Premises in excess of six million tons of coal. Lessee shall not be obligated to pay the deferred bonus on the first six million tons of coal mined and removed from the Leased Premises. The value of coal for the purposes of calculating deferred bonus payments shall be determined pursuant to the provisions of Article 6, ROYALTIES. Lessee shall notify Lessor when six million tons of coal have been severed and removed from the Leased Premises, and thereafter shall submit deferred bonus payments at the time the production royalties are submitted, clearly identified on royalty reporting documents as deferred bonus payments.

5. **RENTALS.** Lessee agrees to pay Lessor an annual rental of three dollars ($3.00) for each acre and fractional part thereof within the Leased Premises. Lessee shall promptly pay annual rentals each year in advance on or before the anniversary date of the Effective Date. Lessee may not credit rentals against production royalties or against minimum royalties payable pursuant to paragraph 3.3, Diligent Operations; Minimum Royalty.
6. **ROYALTIES.**

6.1 **Production Royalties.** Lessee shall pay Lessor a production royalty of eight per cent (8%) of the value of all coal severed and removed from the Leased Premises. For all coal sold pursuant to an arm’s-length contract, value shall be determined on the basis of the gross proceeds received by Lessee from the sale or disposition of such coal. Gross proceeds shall include all bonuses, allowances or other consideration of any nature received by Lessee for coal actually produced. For any coal that is sold or disposed of other than by an arms-length contract, or for coal that is used within the mine permit area containing the Leased Premises for generation of electricity or for gasification, liquefaction, in situ processing, or other method of extracting energy from such coal, the value of such coal shall be determined by Lessor with reference to (in order of priority): (i) comparable arms-length contracts or other dispositions of like-quality coal produced in the same coal field; (ii) prices reported for that coal to a public utility commission; (iii) prices reported to other governmental agencies; or (iv) other relevant information.

6.2 **Allowable Deductions.** It is expressly understood and agreed that none of Lessee’s mining or production costs, including but not limited to costs for materials, labor, overhead, distribution, transportation within the mine permit area prior to the point of sale, loading, crushing, sizing, screening, or general and administrative activities, may be deducted in computing Lessor’s royalty. All such costs shall be entirely borne by Lessee and are anticipated by the rate of royalty set forth in this Lease. In the event that the point of sale for coal produced from this Lease is located outside the mine permit area boundary, Lessee may deduct the reasonable, actual costs of transportation of such coal from the mine permit area boundary to the point of sale from gross proceeds in computing Lessor’s royalty; provided, however, that transportation deductions for coal transported by Lessee, Lessee’s affiliates, or by non-arm’s-length contract are subject to review and modification by Lessor. Lessee shall be allowed to deduct its actual, reasonable washing and treatment costs from gross proceeds in computing Lessor’s royalty; provided, however, that, upon Lessor’s request Lessee shall provide to Lessor appropriate justification to demonstrate that Lessee’s costs are reasonable.

6.3 **Reference to Federal Regulations.** It is the intent of Lessor and Lessee that the calculation of the value of coal for royalty purposes be consistent with federal coal regulations governing the valuation of coal, except where this Lease expressly provides otherwise. In no event shall the value of coal used for calculation of royalties under this Lease be less than the value which would be obtained were federal royalty valuation regulations applied.

6.4 **Royalty Payment.** For all coal severed and removed from the Leased Premises that is used, sold, transported or otherwise disposed of during a particular month, Lessee shall pay royalties to Lessor on or before the end of the next succeeding month. Royalty payments shall be accompanied by a verified statement, in a form approved by Lessor, stating the amount of coal sold or otherwise disposed of, the gross proceeds accruing to Lessee, the calculation of allowable deductions, and any other information reasonably required by Lessor to verify production and
disposition of the coal or coal products. In the event that Lessee uses or disposes of coal pursuant to a non-arm's-length contract, or uses coal for generation of electricity or for gasification, liquefaction, in situ processing, or other method of extracting energy from such coal, Lessee shall notify Lessor of such use or disposal on or before the end of the next succeeding month following such use or disposal, and shall pay royalties upon Lessee's good faith estimate of the value of such coal, subject to Lessor’s right to determine the value of such coal pursuant to paragraph 6.1, Royalty Valuation After Reversion. After reversion of the Leased Premises to the United States pursuant to paragraph 1.4, Reversion of Leased Premises to United States, Lessee shall report production and royalties monthly in accordance with applicable federal regulations.

6.5 Royalty Valuation After Reversion. After reversion of the Leased Premises to the United States, the Secretary of the Interior may establish the reasonable value of post-reversion production for royalty purposes in the same manner and by the same methods as the United States establishes value under coal leases issued by the United States.

6.6 Suspension, Waiver or Reduction of Rents or Royalties. Lessor, to the extent not prohibited by applicable law, is authorized to waive, suspend, or reduce the rental or minimum royalty, or reduce the royalty applicable with respect to the entire Lease, whenever in Lessor’s judgment it is necessary to do so in order to promote development, or whenever in the Lessor’s judgment the Lease cannot be successfully operated under the terms provided herein.

7. RECORDKEEPING; INSPECTION; AUDITS.

7.1 Registered Agent; Records. Lessee shall maintain a registered agent within the State of Utah to whom any and all notices may be sent by Lessor and upon whom process may be served. Lessee shall also maintain an office within the State of Utah containing originals or copies of all maps, engineering data, permitting materials, books, records or contracts (whether such documents are in paper or electronic form) generated by Lessee that pertain in any way to coal production, output and valuation; mine operations; coal sales and dispositions; transportation costs; and calculation of royalties from the Leased Premises. Lessee shall maintain such documents for at least seven years after the date of the coal production to which the documents pertain.

7.2 Inspection. Lessor’s employees and authorized agents at Lessor’s sole risk and expense shall have the right to enter the Leased Premises to check scales as to their accuracy, and to go on any part of the Leased Premises to examine, inspect, survey and take measurements for the purposes of verifying production amounts and proper lease operations. Upon reasonable notice to Lessee, Lessor’s employees and authorized agents shall further have the right to audit, examine and copy (at Lessor’s expense) all documents described in paragraph 7.1, Registered Agent; Records, whether such documents are located at the mine site or elsewhere. Lessee shall furnish all conveniences necessary for said inspection, survey, or examination; provided, however, that such inspections shall be conducted in a manner that is in conformance with all applicable mine safety regulations and does not unreasonably interfere with Lessee’s operations.
7.3 **Federal Inspections.** Lessee agrees that, prior to reversion of the Leased Premises to the United States, employees and authorized agents of the Bureau of Land Management ("BLM") may conduct underground inspections of the Leased Premises, both independently and in cooperation with the State in its capacity as Lessor. After reversion, employees and authorized agents of BLM may conduct underground inspections of the Leased Premises under the authority of applicable federal laws and regulations.

7.4 **Geologic Information.** In the event Lessee conducts core-drilling operations or other geologic evaluation of the Leased Premises, Lessor may inspect core samples, evaluations thereof, and proprietary geologic information concerning the Leased Premises.

7.5 **Confidentiality.** Any and all documents and geologic data obtained by Lessor through the exercise of its rights as set forth in paragraphs 7.2, Inspection., and 7.4, Geologic Information., may be declared confidential information by Lessee, in which event Lessor and its authorized agents shall maintain such documents and geologic data as protected records under the Utah Governmental Records Access Management Act or other applicable privacy statute (including applicable federal law after reversion), and shall not disclose the same to any third party without the written consent of Lessee, the order of a court of competent jurisdiction requiring such disclosure, or upon termination of this Lease. Following reversion of the Leased Premises to the United States, the United States as Lessor shall treat such information as confidential to the extent permitted by federal law.

8. **USE OF SURFACE ESTATE.**

8.1 **Lessor-Owned Surface.** If Lessor owns the surface estate of all or some portion of the Leased Premises, by issuance of this Lease the Lessee has been granted the right to make use of such lands to the extent reasonably necessary and expedient for the economic operation of the leasehold. Lessee's right to surface use of Lessor-owned surface estate shall include the right to subside the surface. Such surface uses shall be exercised subject to the rights reserved to Lessor as provided in paragraph 2, RESERVATIONS TO LESSOR, and without unreasonable interference with the rights of any prior or subsequent lessee of Lessor.

8.2 **Split-Estate Lands.** If Lessor does not own the surface estate of any portion of the Leased Premises, Lessee's access to and use of the surface of such lands shall be determined by applicable law governing mineral development on split-estate lands, including without limitation applicable statutes governing access by mineral owners to split estate lands, and reclamation and bonding requirements. Lessee shall indemnify, defend and hold Lessor harmless for all claims, causes of action, damages, costs and expenses (including attorney’s fees and costs) arising out of or related to damage caused by Lessee's operations to surface lands or improvements owned by third parties.
9. APPLICABLE LAWS AND REGULATIONS; HAZARDOUS SUBSTANCES

9.1 Trust Lands Statute and Regulations. This Lease is issued pursuant to the provisions of Title 53C, Utah Code Annotated, 1953, as amended, and Lessee is subject to and shall comply with all current and future rules and regulations adopted by the School and Institutional Trust Lands Administration and its successor agencies until reversion of the Leased Premises to the United States pursuant to paragraph 1.4, Reversion of Leased Premises to United States.

9.2 Regulation Upon Reversion. After reversion of the Leased Premises to the United States pursuant to paragraph 1.4, Reversion of Leased Premises to United States, Lessee will be subject to the requirements of the Mineral Leasing Act, 30 U.S.C. §§ 181 et seq. (the “MLA”), and to the royalty, operating, and administrative procedure rules and regulations of the Department of Interior, the Minerals Management Service, and the Bureau of Land Management, and to any other federal laws and regulations generally applicable to coal leases issued under the MLA to the same extent as if the Lease were a federally-issued lease. Notwithstanding the foregoing, to the extent that the State, as Lessor, approves a significant operational decision prior to reversion, and Lessee makes a substantial economic commitment based upon that approval, Lessee may continue to rely upon that approval after reversion; provided, however, that no such approval shall act to limit the liability of Lessee, if any, under CERCLA, RCRA, the Clean Water Act, 33 U.S.C. § 1251 et seq or other applicable environmental law. Upon reversion, nothing in this paragraph shall be deemed to require that the Leased Premises be included in the calculation of acreage held by Lessee for the purposes of the acreage limitation provisions of the MLA and associated regulations.

9.3 Other Applicable Laws and Regulations. Lessee shall comply with all applicable federal, state and local statutes, regulations, and ordinances, including without limitation the Utah Coal Mining and Reclamation Act, applicable statutes and regulations relating to mine safety and health, and applicable statutes, regulations and ordinances relating to public health, pollution control, management of hazardous substances and environmental protection.

9.4 Hazardous Substances. Lessee (or other occupant pursuant to any agreement authorizing mining) shall not keep on or about the premises any hazardous substances, as defined under 42 U.S.C. § 9601(14) or any other Federal environmental law, any regulated substance contained in or released from any underground storage tank, as defined by the Resource Conservation and Recovery Act, 42 U.S.C. § 6991, et seq, or any substances defined and regulated as “hazardous” by applicable State law, (hereinafter, for the purposes of this Lease, collectively referred to as “Hazardous Substances”) unless such substances are reasonably necessary in Lessee’s mining operations, and the use of such substances or tanks is noted and approved in the Lessee’s mining plan, and unless Lessee fully complies with all Federal, State and local laws, regulations, statutes, and ordinances, now in existence or as subsequently enacted or amended, governing Hazardous Substances. Lessee shall immediately notify Lessor, the Bureau of Land Management, the surface management agency, and any other Federal, State and local agency with jurisdiction over the
Leased Premises, or contamination thereon, of (i) all reportable spills or releases of any Hazardous Substance affecting the Leased Premises, (ii) all failures to comply with any applicable Federal, state or local law, regulation or ordinance governing Hazardous Substances, as now enacted or as subsequently enacted or amended, (iii) all inspections of the Leased Premises by, or any correspondence, order, citations, or notifications from any regulatory entity concerning Hazardous Substances affecting the Leased Premises, (iv) all regulatory orders or fines or all response or interim cleanup actions taken by or proposed to be taken by any government entity or private Party concerning the Leased Premises.

9.5 **Hazardous Substances Indemnity.** Lessee [or other occupant pursuant to any agreement authorizing mining] shall indemnify, defend, and hold harmless Lessor and the United States (as successor Lessor or owner pursuant to reversion or as owner of surface estate) its agencies, employees, officers, and agents with respect to any and all damages, costs, liabilities, fees (including attorneys’ fees and costs), penalties (civil and criminal), and cleanup costs arising out of or in any way related to Lessee’s use, disposal, transportation, generation, sale or location upon or affecting the Leased Premises of Hazardous Substances, as defined in paragraph 9.4 of this Lease. This indemnity shall extend to the actions of Lessee’s employees, agents assigns, sublessees, contractors, subcontractors, licensees and invitees. Lessee shall further indemnify, defend and hold harmless Lessor and the United States from any and all damages, costs, liabilities, fees (including attorneys’ fees and costs), penalties (civil and criminal), and cleanup costs arising out of or in any way related to any breach of the provisions of this Lease concerning Hazardous Substances. This indemnity is in addition to, and in no way limits, the general indemnity contained in paragraph 16.1 of this Lease.

9.6 **Waste Certification.** The Lessee shall provide upon abandonment, transfer of operation, assignment of rights, sealing-off of a mined area, and prior to lease relinquishment, certification to the Lessor and the Bureau of Land Management that, based upon a complete search of all the operator’s records for the Lease, and upon its knowledge of past operations, there have been no reportable quantities of hazardous substances as defined in 40 Code of Federal Regulations §302.4, or used oil as defined in Utah Administrative Code R315-15, discharged (as defined at 33 U.S.C. §1321(a)(2)), deposited or released within the Leased Premises, either on the surface or underground, and that all remedial actions necessary have been taken to protect human health and the environment with respect to such substances. Lessee shall additionally provide to Lessor and the Bureau of Land Management a complete list of all hazardous substances, hazardous materials, and their respective Chemical Abstracts Service Registry Numbers, and oil and petroleum products used or stored on, or delivered to, the Leased Premises. Such disclosure will be in addition to any other disclosure required by law or agreement.

10. **BONDING.**

10.1 **Lease Bond Required.** At the time this Lease is executed, Lessee shall execute and file with the Lessor a good and sufficient bond or other financial guarantee acceptable to Lessor in order to:
(a) guarantee Lessee’s performance of all covenants and obligations under this Lease, including Lessee’s obligation to pay royalties; and (b) ensure compensation for damage, if any, to the surface estate and any surface improvements. The Lease Bond shall meet all federal mineral lease bond requirements as described in 43 Code of Federal Regulations Subpart 3474. The Lease Bond shall further provide that upon forfeiture after reversion of the Leased Premises to the United States, the Lease Bond shall be payable to the Secretary of the Interior.

10.2 Reclamation Bonding. The bond filed with the Utah Division of Oil, Gas and Mining ("UDOGM") in connection with the issuance of a mine permit which includes the Leased Premises shall be deemed to satisfy Lessor’s bonding requirements with respect to Lessee’s reclamation obligations under this Lease; provided, however, upon notice to Lessee and a public hearing with respect to the basis for its decision, the Lessor may, in its reasonable discretion, determine that the bond filed with UDOGM is insufficient to protect Lessor’s interests. In such an event the Lessor shall enter written findings as to the basis for its calculation of the perceived insufficiency and enter an order establishing the amount of additional bonding required. Lessee shall file any required additional bond with Lessor within thirty (30) days after demand by Lessor. Lessor may increase or decrease the amount of any additional bond from time to time in accordance with the same procedure.

10.3 Release of Additional Bond. Any additional bond required by Lessor pursuant to 10.2, Reclamation Bonding, may be released by Lessor at any time and shall be released no later than the time of final bond release by UDOGM with respect to the Leased Premises.

11. WATER RIGHTS.

11.1 Water Rights in Name of Lessor. If Lessee files to appropriate water for coal mining operations on the Leased Premises, the filing for such water right shall be made by Lessee in the name of Lessor at no cost to Lessor, and such water right shall become an appurtenance to the Leased Premises, subject to Lessee’s right to use such water right at no cost during the term of this Lease.

11.2 Option to Purchase. If Lessee purchases or acquires an existing water right for coal mining operations on the Leased Premises, Lessor shall have the option to acquire that portion of such water right as was used on the Leased Premises upon expiration or termination of this Lease. The option price for such water right shall be the fair market value of the water right as of the date of expiration or termination of this Lease. Upon expiration or termination of this Lease, Lessee shall notify Lessor in writing of all water rights purchased or acquired by Lessee for coal mining operations on the Leased Premises and its estimate of the fair market value of such water right. Lessor shall then have forty-five (45) days to exercise its option to acquire the water by payment to Lessee of the estimated fair market value. If Lessor disagrees with Lessee’s estimate of fair market value, Lessor shall notify Lessee of its disagreement within the 45 day option exercise period. The fair market value of the water right shall then be appraised by a single appraiser mutually acceptable to both parties, which appraisal shall be final and not subject to review or

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appeal. If the parties cannot agree upon the choice of an appraiser, the fair market value of the water right shall be determined by a court of competent jurisdiction. Conveyance of any water right pursuant to this paragraph shall be by quit claim deed.

11.3 Reversion. Upon reversion of the Leased Premises to the United States, the United States shall succeed to the interests of the State of Utah pursuant to this article 11.

12. ASSIGNMENT OR SUBLEASE: OVER RIDING ROYALTIES.

12.1 Consent Required. Lessee shall not assign or sublease this Lease in whole or in part, or otherwise assign or convey any rights or privileges granted by this Lease, including, without limitation, creation of overriding royalties or production payments, without the prior written consent of Lessor. Any assignment, sublease or other conveyance made without prior written consent of Lessor shall have no legal effect unless and until approved in writing by Lessor. Exercise of any right with respect to the Leased Premises in violation of this provision shall constitute a default under this Lease.

12.2 Binding Effect. All of the terms and provisions of this Lease shall be binding upon and shall inure to the benefit of their respective successors, assigns, and sublessees.

12.3 Limitation on Overriding Royalties. Lessor reserves the right to disapprove the creation of an overriding royalty or production payment that would, in Lessor’s reasonable discretion, constitute an unreasonable economic burden upon operation of the Lease. In exercising its discretion to disapprove the creation of an overriding royalty, Lessor shall consult with Lessee and any third parties involved and shall prepare findings to evidence the basis of its decision. Cumulative overriding royalties of 2% or less shall be deemed presumptively reasonable unless special circumstances are shown by Lessor to exist.

13. OPERATIONS.

13.1 Permitting. Before Lessee commences exploration, drilling, or mining operations on the Leased Premises, it shall have obtained such permits and posted such bonds as may be required under applicable provisions of the Utah Coal Mining and Reclamation Act, the Surface Mining Control and Reclamation Act, and associated regulations, together with applicable regulations of the surface management agency. Lessee shall maintain any required permits in place for the duration of mining operations and reclamation. Upon request, Lessee shall provide Lessor with a copy of all regulatory filings relating to permitting matters.

13.2 Plan of Operations. Prior to the commencement of any underground mining operations on the Leased Premises, Lessee shall obtain Lessor's approval of a plan of operations for the Leased Premises. The plan of operations shall contain all information required to be contained in a federal Resource Recovery and Protection Plan, as described in 43 Code of Federal Regulations.
§ 3482.1(b) and (c) (1998). Lessor may modify the proposed plan of operations as is needed to
insure that there is no waste of economically recoverable coal reserves contained on the Leased
Premises. In this context “waste” shall mean the inefficient utilization of, or the excessive or
improper loss of an otherwise economically recoverable coal resource. Lessor shall notify Lessee
in writing of its approval or modifications of the plan of operations. The plan of operations
submitted by Lessee shall be deemed approved by Lessor if Lessor has not otherwise notified
Lessee within sixty (60) days of filing.

13.3 Plan of Operations - Modification. In the event that material changes are required to the plan of
operations during the course of mining, Lessee shall submit a modification of the plan of
operations to the Lessor. Routine adjustments to the plan of operations based upon geologic
circumstances encountered during day-to-day mining operations do not require the submission
of a modification. If the proposed changes require emergency action by Lessor, then the Lessee
shall so notify the Lessor at the time of submission of the modification and the parties shall use
their best efforts to meet the Lessee’s time schedule regarding implementation of the changes.
Non-emergency modifications will be reviewed promptly by Lessor to insure that there is no
waste of economically recoverable coal reserves pursuant to the plan of operations, as modified,
and Lessor shall notify Lessee in writing of its approval or modification of the proposed
modification. Prior to reversion, modifications shall be deemed approved by Lessor if Lessor has
not otherwise notified Lessee within thirty (30) days of filing. After reversion, modifications
shall be approved in accordance with applicable federal regulations.

13.4 Mine Maps. Lessee shall maintain at the mine office clear, accurate, and detailed maps of all
actual and planned operations prepared and maintained in the manner prescribed by 43 Code of
Federal Regulations § 3482.3 (1998). Lessee shall provide copies of such maps to Lessor upon
request.

13.5 Good Mining Practices. Lessee shall conduct exploration and mining operations on the Leased
Premises in accordance with standard industry operating practices, and shall avoid waste of
economically recoverable coal. Lessee shall comply with all regulations and directives of the
Mine Safety and Health Administration or successor agencies for the health and safety of
employees and workers. Lessee shall further comply with the performance standards for
underground resource recovery set forth at 43 Code of Federal Regulations § 3484.1(c) (1998);
provided, however, that Lessor may waive such standards from time to time in its reasonable
discretion, upon request by Lessee. Coal shall be mined from this Lease by underground methods
only.

13.6 Mining Units. Lessor may approve the inclusion of the Leased Premises in a mining unit with
federal, private or other non-state lands upon terms and conditions that it deems necessary to
protect the interests of the Lessor, including without limitation segregation of production,
accounting for commingled coal production, and minimum production requirements or minimum
royalties for the Leased Premises.
14. **EQUIPMENT: RESTORATION.**

14.1 **Equipment.** Upon termination of this Lease, Lessee shall remove, and shall have the right to remove, all improvements, equipment, stockpiles, and dumps from the Leased Premises within six (6) months; provided, however, that Lessor may, at Lessor’s sole risk and expense, and subject to Lessee’s compliance with requirements imposed by UDOGM and MSHA, require Lessee to retain in place underground timbering supports, shaft linings, rails, and other installations reasonably necessary for future mining of the Leased Premises. All improvements and equipment remaining on the Leased Premises after six (6) months may be deemed forfeited to Lessor upon written notice of such forfeiture to Lessee. Lessee may abandon underground improvements, equipment of any type, stockpiles and dumps in place if such abandonment is in compliance with applicable law, and further provided that Lessee provides Lessor with financial or other assurances sufficient in Lessor’s reasonable discretion to protect Lessor from future environmental liability with respect to such abandonment or any associated hazardous waste spills or releases. Lessee shall identify and locate on the mine map the location of all equipment abandoned on the Lease Premises.

14.2 **Restoration and Reclamation.** Upon termination of this Lease, Lessee shall reclaim the Leased Premises in accordance with the requirements of applicable law, including mine permits and reclamation plans on file with UDOGM. Lessee shall further abate any hazardous condition on or associated with the Leased Premises. Lessee and representatives of all governmental agencies having jurisdiction shall have the right to re-enter the Leased Premises for reclamation purposes for a reasonable period after termination of the Lease.

15. **DEFAULT**

15.1 **Notice of Default: Termination.** Upon Lessee’s violation of or failure to comply with any of the terms, conditions or covenants set forth in this Lease, Lessor shall notify Lessee of such default by registered or certified mail, return receipt requested, at the last address for Lessee set forth in Lessor’s files. Lessee shall then have thirty (30) days, or such longer period as may be granted in writing by Lessor, to either cure the default or request a hearing pursuant to the Lessor’s administrative adjudication rules. In the event Lessee fails to cure the default or request a hearing within the specified time period, Lessor may cancel this Lease without further notice to or appeal by Lessee.

15.2 **Effect of Termination.** The termination of this Lease for any reason, whether through expiration, cancellation or relinquishment, shall not limit the rights of the Lessor to recover any royalties and/or damages for which Lessee may be liable, to recover on any bond on file, or to seek injunctive relief to enjoin continuing violations of the Lease terms. No remedy or election under this Lease shall be deemed exclusive, but shall, wherever possible, be cumulative with all other remedies available under this Lease, at law, or in equity. Lessee shall surrender the Leased Premises upon termination; however, the obligations of Lessee with respect to reclamation,
indemnification and other continuing covenants imposed by this Lease shall survive the termination.

16. MISCELLANEOUS PROVISIONS.

16.1 Indemnity. Except as limited by paragraph 7.2, Inspection, Lessee shall indemnify and hold Lessor and the United States (as successor Lessor or owner pursuant to reversion or as owner of surface estate) harmless for, from and against each and every claim, demand, liability, loss, cost, damage and expense, including, without limitation, attorneys' fees and court costs, arising in any way out of Lessee's occupation and use of the Leased Premises, including without limitation claims for death, personal injury, property damage, and unpaid wages and benefits. Lessee further agrees to indemnify and hold Lessor harmless for, from and against all claims, demands, liabilities, damages and penalties arising out of any failure of Lessee to comply with any of Lessee's obligations under this Lease, including without limitation attorneys' fees and court costs.

16.2 Interest. Except as set forth in paragraph 4, BONUS BID, interest shall accrue and be payable on all obligations arising under this Lease at such rate as may be set from time to time by rule enacted by Lessor. Interest shall accrue and be payable, without necessity of demand, from the date each such obligation shall arise.

16.3 Suspension. In the event that Lessor in its reasonable discretion determines that suspension is necessary in the interests of conservation of the coal resource, or if Lessee has been prevented from performing any of its obligations or responsibilities under this Lease or from conducting mining operations by labor strikes, fires, floods, explosions, riots, any unusual mining casualties or conditions, Acts of God, government restrictions or orders, severe weather conditions, or other extraordinary events beyond its control, then the time for performance of this Lease by Lessee shall be suspended during the continuance of such acts which prevent performance, excepting any payments due and owing to Lessor.

16.4 Consent to Suit; Jurisdiction. Prior to reversion of the Leased Premises to the United States: (i) this Lease shall be governed by the laws of the State of Utah; (ii) Lessor and Lessee agree that all disputes arising out of this Lease shall be litigated only in the Third Judicial District Court for Salt Lake County, Utah; (iii) Lessee consents to the jurisdiction of such court; and (iv) Lessee shall not bring any action against Lessor without exhaustion of available administrative remedies and compliance with applicable requirements of the Utah Governmental Immunity Act. Notwithstanding the foregoing, after reversion of the Leased Premises to the United States, any litigation between the United States as Lessor and the Lessee shall be governed by the laws of the United States otherwise applicable to federal coal leases.

16.5 No Waiver. No waiver of the breach of any provision of this Lease shall be construed as a waiver of any preceding or succeeding breach of the same or any other provision of this Lease, nor shall
the acceptance of rentals or royalties by Lessor during any period of time in which Lessee is in default be deemed to be a waiver of such default.

16.6 **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

16.7 **Special Stipulations.** The special stipulations set forth in Exhibit "A" to this Lease are hereby incorporated into and made an integral part of this Lease.

16.8 **Entire Lease.** This Lease, together with any attached stipulations, sets forth the entire agreement between Lessor and Lessee with respect to the subject matter of this Lease. No subsequent alteration or amendment to this Lease shall be binding upon Lessor and Lessee unless in writing and signed by each of them.
IN WITNESS WHEREOF, the parties have executed this Lease as of the date hereinabove first written.

APPROVED AS TO FORM:
JAN GRAHAM
ATTORNEY GENERAL
By

THE STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION ("LESSOR")

DAVID T. LERNY, DIRECTOR
By

School & Institutional Trust Lands Administration - LESSOR

CANYON FUEL COMPANY LLC ("LESSEE")

By:
Its: PRESIDENT & CEO

INCORPORATED
EFFECTIVE:
JUN 15 2001
Utah Division Oil, Gas And Mining
STATE OF UTAH 

COUNTY OF SALT LAKE 

On the 1st day of May, 2001, personally appeared before me Kevin D. Curtis who being by me duly sworn did say that he is the Acting Director of the School and Institutional Trust Lands Administration of the State of Utah and the signer of the above instrument, who duly acknowledged that he executed the same.

Given under my hand and seal this 1st day of May, 2001.

____________________________
Notary Public
Residing at: SEC UT

My commission expires:

9-4-02

STATE OF UTAH 

COUNTY OF SALT LAKE 

On the ______ day of ____________________________ , personally appeared before me ____________________________ , signer of the above instrument, who duly acknowledged to me that ______ executed the same.

Given under my hand and seal this ______ day of ____________________________ .

____________________________
Notary Public
Residing at:

My commission expires:

-18-
STATE OF UTAH )
       ss.
COUNTY OF SALT LAKE )

On the 21st day of August, 2000, personally appeared before me Richard D. Pick, who being duly sworn did say that he is an officer of Canyon Fuel Company Inc. and that said instrument was signed in behalf of said corporation by resolution of its Board of Directors, and said that he acknowledged to me that said corporation executed the same.

Given under my hand and seal this 21st day of August, 2000.

Tavia Lynn Chiles
Notary Public
Residing at: Salt Lake City, UT

My commission expires:
AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

County of Carbon,)

I, Kevin Ashby, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State a true copy of which is hereto attached, was published in the full issue of such newspaper for 2 (Two) consecutive issues, and that the first publication was on the 22nd day of May, 2001, and that the last publication of such notice was in the issue of such newspaper dated the 24th day of May, 2001.

Kevin Ashby - Publisher

Subscribed and sworn to before me this 24th day of May, 2001.

Linda Thayn

Notary Public My commission expires January 10, 2003 Residing at Price, Utah

Publication fee, $136.98
IN REPLY REFER TO:
3432
UTU-07064-027821
(UT-924)

CERTIFIED MAIL - Return Receipt Requested

Canyon Fuel Company LLC
c/o Ark Land Company
Attn: Doug Downing
Vice President - Land
City Place One, Suite 300
St. Louis, MO 63141

DECISION

Coal Lease
UTU-07064-027821

Evidence Required

An application for a modification of coal lease UTU-07064-027821 was filed in this office on September 7, 2006. The proposed lease modification includes the following described lands in Carbon County, Utah:

T. 13 S., R. 13 E., SLM, Utah
Sec. 17, S½N½, N½SE½, SE¼SE¼;
Sec. 18, lot 2, S½NE½, SE¼ NW¼;
Sec. 21, NW¼NW¼.

Containing 487.57 acres

It has been determined that the proposed modification meets the requirements of the regulations under 43 CFR 3432.3 and that it would serve the interests of the United States to modify this lease under Sec. 3 of the Mineral Leasing Act of February 25, 1920, as amended. Accordingly prior to the execution of the modified lease, the enclosed lease forms and stipulations must be accepted, signed, dated and returned to this office accompanied by the following:

1. Rental in the amount of $1,464.00. The additional yearly rental on the modified area at a rate of $3.00 per acre is $1,464.00. Upon execution of the modified lease, a refund of excess rental will be authorized if necessary. Rental in the amount of $3.00 per acre, or a total, including the modified area, of $8,712.00, will be due on the anniversary date hereafter. Please submit evidence to this office that the additional rental has been paid.

2. A signed statement that the personal lease bond covering this lease will cover the additional modification acreage.

A personal lease bond in the amount of $2,076,000 is on file and has been determined to be adequate coverage to include the modification of coal lease UTU-07064-027821.
A period of thirty days from the receipt of this decision is allowed in which to accept the modified lease forms and to submit the evidence required. If no action is taken within the time allowed, the case file will be closed as to the application for modification.

During the compliance period there is no right of appeal to the Interior Board of Land Appeals and an appeal filed within the compliance period is subject to dismissal as being premature. The 30-day appeal period commences upon expiration of the 30-day compliance period.

This decision may be appealed to the Interior Board of Land Appeals, Office of the Secretary, in accordance with the regulations contained in 43 CFR, Part 4, and the enclosed Form 1842.1. If an appeal is taken, your notice of appeal must be filed in this office (at the above address) within 30 days from receipt of this decision. The appellant has the burden of showing that the decision appealed from is in error.

If you wish to file a petition (pursuant to regulation 43 CFR 4.21) (58 FR 4939, January 19, 1993) (request) for a stay (suspension) of the effectiveness of this decision during the time that your appeal is being reviewed by the Board, the petition for a stay must accompany your notice of appeal. A petition for a stay is required to show sufficient justification based on the standards listed below. Copies of the notice of appeal and petition for a stay must also be submitted to each party named in this decision and to the Interior Board of Land Appeals and to the appropriate Office of the Solicitor (see 43 CFR 4.413) at the same time the original documents are filed in this office. If you request a stay, you have the burden of proof to demonstrate that a stay should be granted.

Standards for Obtaining a Stay

Except as otherwise provided by law or other pertinent regulation, a petition for a stay of a decision pending appeal shall show sufficient justification based on the following standards.

(1) The relative harm to the parties if the stay is granted or denied,

(2) The likelihood of the appellant’s success on the merits,

(3) The likelihood of immediate and irreparable harm if the stay is not granted, and

(4) Whether the public interest favors granting the stay.

Enclosures:
Form 1842.1
Modified Lease (9 pp.)

cc: Price Coal Office
MMS, MRM, Solid Minerals Staff, Attn: Patrick Mulcahy, MS390B2, Box 25165, Denver, CO 80225-0165
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

MODIFIED COAL LEASE

Serial No. UTU-07064-027821
Date of Lease January 1, 1957

PART I.

THIS MODIFIED COAL LEASE is entered into on March 12, 2007, by and between the
UNITED STATES OF AMERICA, hereinafter called the Lessor, through the Bureau of Land Management, and
Canyon Fuel Company LLC
c/o Ark Land Company
City Place One, Suite 300
St. Louis, MO 63141

hereinafter called Lessee.

This modified lease shall retain the effective date of January 1, 1957, of the original COAL LEASE
UTU-07064-027821, and is effective for a period of 10 years from the date of the last lease readjustment, dated
January 1, 2007, and for so long thereafter as coal is produced in commercial quantities from the leased lands,
subject to readjustment of lease terms at the end of each 10 year lease period thereafter.

Sec. 1. This lease is issued pursuant and subject to the terms and provisions of the: (NOTE: Check the
appropriate Act or Acts.)

to as the Act;


and to the regulations and formal orders of the Secretary of the Interior which are now or hereafter in force, when
not inconsistent with the express and specific provisions herein.

Sec. 2. Lessee as the holder of Coal Lease UTU-07064-027821, issued effective January 1, 1957, was granted
the exclusive right and privilege to drill for, mine, extract, remove or otherwise process and dispose of the coal
deposits in, upon, or under the lands described below as Tract 1.

The Lessor in consideration of fair market value, rents and royalties to be paid, and the conditions and covenants to
be observed as herein set forth, hereby grants and leases to Lessee the exclusive right and privilege to drill for,
mine, extract, remove, or otherwise process and dispose of the coal deposits in, upon, or under the lands described
below as Tract 2.

Tract 1:

<table>
<thead>
<tr>
<th>Tract 1</th>
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<tbody>
<tr>
<td>T. 13 S., R. 12 E., SLM, Utah</td>
<td>T. 13 S. R. 13 E., SLM, Utah</td>
</tr>
<tr>
<td>Sec. 13, S12</td>
<td>Sec. 18, lots 3 and 4, E%SW14, SE14</td>
</tr>
<tr>
<td>Sec. 23, E%E12, NE%SW14, W%SW14;</td>
<td>Sec. 19, lots 1-4, E%W14, NE14, NW%SE14;</td>
</tr>
<tr>
<td>Sec. 24, all;</td>
<td>Sec. 30, lot 1.</td>
</tr>
<tr>
<td>Sec. 25, N%N12</td>
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<td>Sec. 26, N%NE14</td>
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</table>

Tract 2:

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<tr>
<td>Sec. 18, lot 2, S%NE14, SE%NW14;</td>
</tr>
<tr>
<td>Sec. 21, NW%NW14;</td>
</tr>
</tbody>
</table>

containing 2,903.71 acres, more or less, together with the right to construct such works, buildings, plants.
structures, equipment and appliances and the right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.

Part II. TERMS AND CONDITIONS

Sec. 1.(a) RENTAL RATE - Lessee shall pay Lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate of $3.00 per acre for each lease year.

(b) RENTAL CREDITS - Rental shall not be credited against either production or advance royalties for any year.

Sec. 2.(a) PRODUCTION ROYALTIES - The royalty shall be 8 percent of the value of the coal as set forth in the regulations. Royalties are due to Lessor the final day of the month succeeding the calendar month in which the royalty obligation accrues.

(b) ADVANCE ROYALTIES - Upon request by the Lessee, the authorized officer may accept, for a total of not more than 10 years, the payment of advance royalties in lieu of continued operation, consistent with the regulations. The advance royalty shall be based on a percent of the value of a minimum number of tons determined in the manner established by the advance royalty regulations in effect at the time the Lessee requests approval to pay advance royalties in lieu of continued operation.

Sec. 3. BONDS - Lessee shall maintain in the proper office a lease bond in the amount of $2,076,000. The authorized officer may require an increase in this amount when additional coverage is determined appropriate.

Sec. 4. DILIGENCE - This lease achieved diligent development February 1, 2003, and is subject to the conditions of continued operation. Continued operation may be excused when operations under the lease are interrupted by strikes, the elements, or casualties not attributable to the Lessee. The Lessor, in the public interest, may suspend the condition of continued operation upon payment of advance royalties in accordance with the regulations in existence at the time of the suspension.

The Lessor reserves the power to assent to or order the suspension of the terms and conditions of this lease in accordance with, inter alia, Section 39 of the Mineral Leasing Act, 30 U.S.C. 209.

Sec. 5. LOGICAL MINING UNIT (LMU) - Either upon approval by the Lessor of the Lessee’s application or at the direction of the Lessor, this lease shall become an LMU or part of an LMU, subject to the provisions set forth in the regulations.

The stipulations established in an LMU approval in effect at the time of LMU approval or modification will supersede the relevant inconsistent terms of this lease so long as the lease remains committed to the LMU. If the LMU of which this lease is a part is dissolved, the lease shall then be subject to the lease terms which would have been applied if the lease had not been included in an LMU.

This lease was placed in the Soldier Creek LMU effective March 1, 1996.

Sec. 6. DOCUMENTS, EVIDENCE AND INSPECTION - At such times and in such form as Lessor may prescribe, Lessee shall furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost.

Lessee shall keep open at all reasonable times for the inspection of any duly authorized officer of Lessor, the leased premises and all surface and underground improvements, works, machinery, ore stockpiles, equipment, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lessee shall allow Lessor access to and copying of documents reasonably necessary to verify Lessee compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Action (5 U.S.C. 552).

Sec. 7. DAMAGES TO PROPERTY AND CONDUCT OF OPERATIONS - Lessee shall comply at its own expense with all reasonable orders of the Secretary, respecting diligent operations, prevention of waste, and protection of other resources.

Lessee shall not conduct exploration operations, other than casual use, without an approved exploration plan. All exploration plans prior to the commencement of mining operations within an approved mining permit area shall be submitted to the authorized officer.

Lessee shall carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health, or property, and
prevention of waste, damage or degradation any land, air, water, cultural, biological, visual, and other resources, including mineral deposits and formations of mineral deposits not leased hereunder, and to other land uses or users. Lessee shall take measures deemed necessary by Lessor to accomplish the intent of this lease term. Such measures may include, but not limited to, modification to proposed siting or design of facilities, timing of operations, and specifications of interim and final reclamation procedures. Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits not covered hereunder and approving easements or rights-of-way. Lessor shall condition such uses to prevent unnecessary or unreasonable interference with rights of Lessee as may be consistent with concepts of multiple use and multiple mineral development.

Sec. 8 PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY - Lessee shall: pay when due all taxes legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; restrict the workday to not more than 8 hours in any one day for underground workers, except in emergencies; and take measures necessary to protect the health and safety of the public. No person under the age of 16 years shall be employed in any mine below the surface. To the extent that laws of the State in which the lands are situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor. Neither Lessee nor Lessee's subcontractors shall maintain segregated facilities.

Sec. 9.(a) TRANSFERS (Check the appropriate space)

X This lease may be transferred in whole or in part to any person, association or corporation qualified to hold such lease interest.

This lease may be transferred in whole or in part to another public body, or to a person who will mine the coal on behalf of, and for the use of, the public body or to a person who for the limited purpose of creating a security interest in favor of a lender agrees to be obligated to mine the coal on behalf of the public body.

This lease may only be transferred in whole or in part to another small business qualified under 13 CFR 121.

Transfers of record title, working or royalty interest must be approved in accordance with the regulations.

(b) RELINQUISHMENTS - The Lessee may relinquish in writing at any time all rights under this lease or any portion thereof as provided in the regulations. Upon Lessor's acceptance of the relinquishment, Lessee shall be relieved of all future obligations under the lease or the relinquished portion thereof, whichever is applicable.

Sec. 10. DELIVERY OF PREMISES, REMOVAL OF MACHINERY, EQUIPMENT, ETC. - At such times as all portions of this lease are returned to Lessor, Lessee shall deliver up to Lessor the land leased, underground timbering, and such other supports and structures necessary for the preservation of the mine workings on the leased premises or deposits and place all workings in condition for suspension or abandonment. Within 180 days thereof, Lessee shall remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by the authorized officer. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, shall become the property of the Lessor, but Lessee shall either remove any or all such property or shall continue to be liable for the cost of removal and disposal in the amount actually incurred by the Lessor. If the surface is owned by third parties, Lessor shall waive the requirement for removal, provided the third parties do not object to such waiver. Lessee shall, prior to the termination of bond liability or at any other time when required and in accordance with all applicable laws and regulations, reclaim all lands the surface of which has been disturbed, dispose of all debris or solid waste, repair the offsite and onsite damage caused by Lessee's activity or activities incidental thereto, and reclaim access roads or trails.

Sec. 11. PROCEEDINGS IN CASE OF DEFAULT - If Lessee fails to comply with applicable laws, existing regulations, or the terms, conditions and stipulations of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation by the Lessor only by judicial proceedings. This provision shall not be construed to
prevent the exercise by Lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

Sec. 12. HEIRS AND SUCCESSORS - IN-INTEREST - Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall insure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 13. INDEMNIFICATION - Lessee shall indemnify and hold harmless the United States from any and all claims arising out of the Lessee's activities and operations under this lease.

Sec. 14. SPECIAL STATUTES - This lease is subject to the Federal Water Pollution Control Act (33 U.S.C. 1151 - 1175); the Clean Air Act (42 U.S.C. 1857 et seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation, including the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.)

Sec. 15. SPECIAL STIPULATIONS -

SEE ATTACHED STIPULATIONS
Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.
SPECIAL STIPULATIONS FOR UTU-07064-027821
MODIFIED COAL LEASE

1. In accordance with Sec. 523(b) of the “Surface Mining Control and Reclamation Act of 1977,” surface mining and reclamation operations conducted on this lease are to conform with the requirements of this act and are subject to compliance with Office of Surface Mining regulations, or as applicable the Utah program approved under the cooperative agreement in accordance with sec. 523(c). The United States Government does not warrant that the entire tract will be susceptible to mining.

2. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the lessee may be required to conduct a cultural resource inventory and a paleontological appraisal of the areas to be disturbed. These studies shall be conducted by qualified professional cultural resource specialists or qualified paleontologists, as appropriate, and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified cultural or paleontological resources.

   If cultural resources or paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the lessee prior to disturbance shall, immediately bring them to the attention of the Authorized Officer. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracks commonly encountered during underground mining operations.

   The cost of conducting the inventory, preparing reports, and carrying out mitigating measures shall be borne by the lessee.

3. If there is reason to believe that Threatened or Endangered (T&E) species of plants or animals, or migratory bird species of high Federal interest occur in the area, the Lessee shall be required to conduct an intensive field inventory of the area to be disturbed and/or impacted. The inventory shall be conducted by a qualified specialist and a report of findings will be prepared. A plan will be prepared making recommendations for the protection of these species or action necessary to mitigate the disturbance.

   The cost of conducting the inventory, preparing reports, and carrying out mitigating measures shall be borne by the lessee.

4. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the lessee may be required to conduct a paleontological appraisal of the areas to be disturbed. The appraisal shall be conducted by a qualified paleontologist and a report prepared itemizing the findings.

   A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified paleontological resources.

   If paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the lessee shall immediately bring them to the attention of the authorized officer who shall
evaluate, or have evaluated such discoveries and, within 5 working days, shall notify the lessee what action shall be taken with respect to such discoveries. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracks commonly encountered during underground mining.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measure shall be borne by the lessee. The cost of salvage of paleontological remains (fossils) shall be borne by the United States.

5. The Lessee shall be required to perform a study to secure adequate baseline data to quantify the existing surface resources on and adjacent to the lease area. Existing data may be used if such data are adequate for the intended purposes. The study shall be adequate to locate, quantify, and demonstrate the interrelationship of the geology, topography, surface and ground water hydrology, vegetation and wildlife. Baseline data will be established so that future programs of observation can be incorporated at regular intervals for comparison.

6. Powerlines used in conjunction with the mining of coal from this lease shall be constructed so as to provide adequate protection for raptors and other large birds. When feasible, powerlines will be located at least 100 yards from public roads.

7. The lessee shall provide for the suppression and control of fugitive dust on haul roads and at coal-handling and storage facilities on the lease area. The migration of road surfacing and subsurface materials into streams and water courses shall be prevented.

8. The lessee shall be required to establish a monitoring system to locate, measure, and quantify the progressive and final effects of underground mining activities on the topographic surface, underground and surface hydrology and vegetation. The monitoring system shall utilize techniques which will provide a continuing record of change over time and an analytical method for location and measurement of a number of points over the lease area. The monitoring shall incorporate and be an extension of the baseline data. The monitoring system shall be adequate to locate and quantify, and demonstrate the inter-relationship of the geology, topography, surface hydrology, vegetation and wildlife.

9. Except at locations specifically approved by the Authorized Officer with concurrence of the surface management agency, underground mining operations shall be conducted in such a manner so as to prevent surface subsidence that would: (1) cause the creation of hazardous conditions such as potential escarpment failure and landslides, (2) cause damage to existing surface structures, and (3) damage or alter the flow of perennial streams. The lessee shall provide specific measures for the protection of escarpments, and determine corrective measures to assure that hazardous conditions are not created.

10. In order to avoid surface disturbance on steep canyon slopes and to preclude the need for surface access, all surface breakouts for ventilation tunnels shall be constructed from inside the mine, except at specifically approved locations.

11. Support facilities, structures, equipment, and similar developments will be removed from the lease area within 2 years after the final termination of use of such facilities. This provision shall apply unless the requirement of Section 10 of the lease form is applicable. Disturbed areas and those areas previously occupied by such facilities will be stabilized and rehabilitated, drainages reestablished, and the areas returned to an authorized post mining land use.
12. The Lessee at the conclusion of the mining operation, or at other times as surface disturbance related to mining may occur, will replace all damaged, disturbed, or displaced corner monuments (section corners, quarter corners, etc.) their accessories and appendages (witness trees, bearing trees, etc.), or restore them to their original condition and location, or at other locations that meet the requirements of the rectangular surveying system. This work shall be conducted at the expense of the Lessee, by BLM to the standards and guidelines found in the Manual of Surveying Instructions, U.S. Department of Interior.

13. Notwithstanding the approval of a resource recovery and protection plan by the BLM, lessor reserves the right to seek damages against the operator/lessee in the event (i) the operator/lessee fails to achieve maximum economic recovery [as defined at 43 CFR §3480.0-5(21)] of the recoverable coal reserves or (ii) the operator/lessee is determined to have caused a wasting of recoverable coal reserves. Damages shall be measured on the basis of the royalty that would have been payable on the wasted or un-recovered coal.

The parties recognize that under an approved R2P2, conditions may require a modification by the operator/lessee of that plan. In the event a coal bed or portion thereof is not to be mined or is rendered un-minable by the operation, the operator shall submit appropriate justification to obtain approval by the AO to leave such reserves unmined. Upon approval by the AO, such coal beds or portions thereof shall not be subject to damages as described above. Further, nothing in this section shall prevent the operator/lessee from exercising its right to relinquish all or a portion of the lease as authorized by statute and regulation.

In the event the AO determines that the R2P2 modification will not attain MER resulting from changed conditions, the AO will give proper notice to the operator/lessee as required under applicable regulations. The AO will order a new R2P2 modification if necessary, identifying additional reserves to be mined in order to attain MER. Upon a final administrative or judicial ruling upholding such an ordered modification, any reserves left un-mined (wasted) under that plan will be subject to damages as described in the first paragraph under this section.

Subject to the right to appeal hereinafter set forth, payment of the value of the royalty on such un-mined recoverable coal reserves shall become due and payable upon determination by the AO that the coal reserves have been rendered un-minable or at such time that the lessee has demonstrated an unwillingness to extract the coal.

The BLM may enforce this provision either by issuing a written decision requiring payment of the MMS demand for such royalties, or by issuing a notice of non-compliance. A decision or notice of non-compliance issued by the lessor that payment is due under this stipulation is appealable as allowed by law.

14. WASTE CERTIFICATION: The lessee shall provide upon abandonment and/or sealing off a mined area and prior to lease termination/relinquishment, certification to the lessor that, based upon a complete search of all the operator's records for the mine and upon their knowledge of past operations, there has been no hazardous substances per (40 CFR 302.4) or used oil as per Utah State Management Rule R-315-15, deposited within the lease, either on the surface or underground, or that all remedial action necessary has been taken to protect human health and the environment with respect to any such substances remaining on the property. The back-up documentation to be provided shall be described by the lessor prior to the first certification and shall include all documentation applicable to the Emergency Planning and Community Right-to-know Act (EPCRA, Public Law 99-499), Title III of the Superfund Amendments and Reauthorization Act of 1986 or equivalent.

15. ABANDONMENT OF EQUIPMENT: The lessee/operator is responsible for compliance with reporting regarding toxic and hazardous material and substances under Federal Law and all associated amendments and regulations for the handling such materials on the land surface and in underground mine workings.

The lessee/operator must remove mine equipment and materials not needed for continued operations, roof support and mine safety from underground workings prior to abandonment of mine sections. Exceptions can be approved by the Authorized Officer (BLM) in consultation with the surface management agency. Creation of a situation that would prevent removal of such material and by retreat or abandonment of mine sections
without prior authorization would be considered noncompliance with lease terms and conditions and subject to appropriate penalties under the lease.

16. UNDERGROUND INSPECTION: All safe and accessible areas shall be inspected prior to being sealed. The lessee shall notify the Authorized Officer in writing 30 days prior to the sealing of any areas in the mine and state the reason for closure. Prior to seals being put into place, the lessee shall inspect the area and document any equipment/machinery, hazardous substances, and used oil that is to be left underground.

The purpose of this inspection will be: (1) to provide documentation for compliance with 42 U.S.C. 9620 section 120(h) and State Management Rule R-315-15, and to assure that certification will be meaningful at the time of lease relinquishment, (2) to document the inspection with a mine map showing location of equipment/machinery (model, type of fluid, amount remaining, batteries etc.) that is proposed to be left underground. In addition, these items will be photographed at the lessee's expense and shall be submitted to the Authorized Officer as part of the certification. The abandonment of any equipment/machinery shall be on a case by case basis and shall not be accomplished unless the Authorized Officer has granted a written approval.

17. GOB VENT BOREHOLES. The Lessee shall submit a gob vent borehole plan for approval by the AO as part of an R2P2 for all gob vent boreholes. The plugging portion of the plan must meet 43 CFR 3484.1(a)(3) as a minimum. If variations to the approved plugging procedures are necessary, they shall also be approved by the AO in writing prior to implementation of the procedures.

18. FAIR MARKET VALUE BONUS: Due to the uncertainty of the amount of recoverable coal reserves in this modification, the lessee will pay the fair market value (FMV) bonus payment for the coal resources mined in the area of Federal coal lease modification (U07064-027821) at the rate of $0.20 per ton for the actual tonnage mined. Payment of FMV at the specified rate and tonnage mined will be on the schedule required for payment of production royalties to the Minerals Management Service (MMS). The lessee will clearly indicate which portion of the payment is for royalty and what is for the lease bonus payment.
GRANT: SCH

UTAH STATE LEASE FOR COAL
ML 50582-OBA
(Dugout Canyon Mine Deep-Cover Extension)

THIS COAL MINING LEASE AND AGREEMENT (the “Lease”) is entered into and executed in duplicate as of February 1, 2007 (the “Effective Date”) by and between the STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION, 675 East 500 South, Suite 500, Salt Lake City, Utah 84102 (“Lessor”), and

ARK LAND COMPANY
CITYPLACE ONE, SUITE 300
ST. LOUIS, MO 63141

having a business address as shown above (“Lessee”).

WITNESSETH:

That the State of Utah, as Lessor, in consideration of the rentals, royalties, and other financial consideration paid or required to be paid by Lessee, and the covenants of Lessee set forth below, does hereby GRANT AND LEASE to Lessee the exclusive right and privilege to explore for, drill for, mine, remove, transport, convey, cross-haul, commingle, and sell the coal located within the boundaries of the following-described tract of land (the “Leased Premises”) located in Carbon County, State of Utah:

T13S, R13E, SLB&M,
Sec. 16: W1/4

Containing 320.00 acres, more or less.

Together with the right and privilege to make use of the surface (but only to the extent owned by Lessor) and subsurface of the Leased Premises for uses incident to the mining of coal by Lessee on the Leased Premises or on other lands under the control of Lessee or mined in connection with operations on the Leased Premises, including, but not limited to, conveying, storing, loading, hauling, commingling, cross-hauling, and otherwise transporting coal; excavating; removing, stockpiling, depositing and redepositing of surface materials; and the subsidence, mitigation, restoration and reclamation of the surface.

This Coal Mining Lease and Agreement is subject to, and Lessee hereby agrees to and accepts, the following covenants, terms, and conditions:

1. LEASED MINERALS.

1.1 Coal. This mineral lease covers coal, which shall mean and include black or brownish-black solid fossil fuels that have been subjected to the natural processes of coalification, and which fall within the classification of coal by rank as anthracitic, bituminous, sub-bituminous, or lignitic, together with closely associated substances which include, but are not limited to other hydrocarbon substances physically contained within the same geologic strata as the coal. In the event that minerals other than coal are discovered during lease operations, Lessee shall promptly notify Lessor.

1.2 Coalbed Methane. To the extent that Lessor owns gas, coalbed methane or coal seam gas (collectively “coalbed methane”) within the Leased Premises, Lessee may remove, vent, flare or capture such coalbed methane from the coal strata being mined and any overlying formations if such removal is necessary for safety reasons in the reasonable discretion of Lessee. If Lessee captures or uses such coalbed methane, it shall pay Lessor royalties on the value of such coalbed methane at the prevailing state royalty rate for coal.
natural gas, unless such royalties are expressly waived by Lessor. In the event that Lessor does not own coalbed methane within the Leased Premises, Lessee must obtain the consent of the owner of such coalbed methane prior to removal or capture of such gas. Except as expressly granted herein, the right to extract gas, coalbed methane and coal seam gas is not granted by this Lease.

1.3 No Warranty of Title. Lessor claims title to the mineral estate covered by this Lease. Lessor does not warrant title nor represent that no one will dispute the title asserted by Lessor. It is expressly agreed that Lessor shall not be liable to Lessee for any alleged deficiency in title to the mineral estate, nor shall Lessee become entitled to any refund for any rentals, bonuses, or royalties paid under this Lease in the event of title failure.

2. RESERVATIONS TO LESSOR. Subject to the exclusive rights and privileges granted to Lessee under this Lease, and further provided that Lessor shall refrain from taking actions with respect to the Leased Premises that may unreasonably interfere with Lessee’s operations, Lessor hereby excepts and reserves from the operation of this Lease the following rights and privileges (to the extent that Lessor has the right to grant such rights and privileges):

2.1 Rights-of-Way and Easements. Lessor reserves the right, following consultation with the Lessee, to establish rights-of-way and easements upon, through or over the Leased Premises, under terms and conditions that will not unreasonably interfere with operations under this Lease, for roads, pipelines, electric transmission lines, transportation and utility corridors, mineral access, and any other purpose deemed reasonably necessary by Lessor.

2.2 Other Mineral Leases. Lessor reserves the right to enter into mineral leases and agreements with third parties covering minerals other than coal, under terms and conditions that will not unreasonably interfere with operations under this Lease in accordance with Lessor’s regulations, if any, governing multiple mineral development.

2.3 Use and Disposal of Surface. To the extent that Lessor owns the surface estate of the Leased Premises and subject to the rights granted to the Lessee pursuant to this Lease, Lessor reserves the right to use, lease, sell, or otherwise dispose of the surface estate or any part thereof. Lessor shall notify Lessee of any such sale, lease, or other disposition of the surface estate.

2.4 Previously Authorized Improvements. If authorized improvements have been placed upon the Leased Premises by a third party prior to the commencement of this Lease, Lessor shall allow the owner of such improvements to remove them within ninety (90) days after the Lease term commences. Nothing in this paragraph shall authorize Lessee to remove surface improvements where Lessor does not own the surface estate.

2.5 Rights Not Expressly Granted. Lessor further reserves all rights and privileges of every kind and nature, except as specifically granted in this Lease.
3. TERM OF LEASE: READJUSTMENT

3.1 Primary Term. This Lease is granted for a "primary term" of ten (10) years commencing on the Effective Date and for a "secondary term" of an additional ten (10) years, subject to Lessee's compliance with the requirements of paragraph 3.3, Diligent Operations; Minimum Royalty.

3.2 Extension Beyond Secondary Term. Subject to Lessee's compliance with the other provisions of this Lease, this Lease shall remain in effect beyond the secondary term and for as long thereafter as coal is produced in commercial quantities from the Leased Premises, or from lands constituting either (i) a logical mining unit approved by the Bureau of Land Management containing the Leased Premises, or (ii) a mining unit, in which the recoverable coal reserves can be developed in an efficient, economical and orderly manner as a unit with due regard to the conservation of recoverable coal reserves. The second type of mining unit requires a determination by the Lessor that the criteria set forth in item (ii) have been satisfied. The satisfaction of either (i) or (ii) above shall mean that the Lease is contained within an "approved mining unit." For the purposes of this Lease, production of coal in commercial quantities shall mean production during each lease year of at least one per cent (1%) of the recoverable coal reserves within the Leased Premises or within lands constituting an approved mining unit which includes the Leased Premises, as such recoverable coal reserves are determined by Lessor after consultation with Lessee, subject to adjustment from time to time based upon reasonable justification from the Lessee.

3.3 Diligent Operations; Minimum Royalty. In the absence of actual production in commercial quantities as set forth in paragraph 3.2, Extension Beyond Secondary Term, this Lease shall remain in effect beyond the primary term only if the Lessee is engaged in diligent operations, or development activity (which development activity shall include, but not be limited to, pursuit of required permits and approvals), which in Lessor's reasonable discretion is calculated to advance development or production of coal from the Leased Premises or lands constituting an approved mining unit which includes the Leased Premises, and Lessee pays an annual minimum royalty in advance on or before the anniversary date of the Effective Date. The minimum royalty shall be calculated by determining the production royalty that would be payable upon production of one per cent (1%) of the recoverable coal reserves within the Leased Premises, as such recoverable coal reserves are determined by Lessor after consultation with Lessee, subject to adjustment from time to time based upon reasonable justification from the Lessee. The unit value of the recoverable coal reserves for purposes of determining the minimum royalty shall be determined by Lessor using the methodology set forth in 43 Code of Federal Regulations Section 3483.4(c)(1)-(3) (1998). Minimum royalties paid by Lessee pursuant to this paragraph may be credited against production royalties accruing during the term of this Lease.

3.4 Expiration; Cessation of Production. This Lease may not be extended pursuant to paragraph 3.3, Diligent Operations; Minimum Royalty, beyond the end of the twentieth year after the Effective Date except by the actual production of coal in commercial quantities from the Leased Premises or from lands constituting an approved mining unit which includes the Leased Premises. After expiration of the secondary term, this Lease will expire of its own terms, without the necessity of any notice or action by Lessor, if Lessee ceases production of coal in commercial quantities for an entire lease year, unless the Lease is suspended pursuant to paragraph 16.3, Suspension.

3.5 Readjustment. At the end of the primary term and at the end of each ten-year period that this lease is in effect, Lessor may readjust the terms and conditions of this Lease (including without limitation rental rates, minimum royalties, royalty rates and valuation methods, and provisions concerning reclamation). If
within thirty (30) days after submission of the readjusted lease terms to the Lessee, the Lessee determines that any or all of the proposed readjusted terms and conditions are unacceptable, then Lessee shall so notify Lessor in writing and the parties shall attempt to resolve the objectionable term or condition. If the parties are unable to resolve the matter and agree upon the readjusted terms and conditions submitted by Lessor at the end of such ten (10) year period, Lessee shall forfeit any right to the continued extension of this lease, and the lease shall automatically terminate, provided that nothing herein shall be deemed to preclude Lessee from appealing any readjustment by Lessor pursuant to applicable law.

3.6 **Relinquishment.** Lessee may relinquish all or portions of this Lease at any time by filing a written notice of relinquishment with Lessor. Lessor may disapprove any relinquishment if Lessee has failed to pay all rentals, royalties, and other amounts due and owing to the Lessor, if the lease is otherwise not in good standing, or if relinquishment would in Lessor's reasonable determination cause waste of economically recoverable coal. Lessee may not relinquish parcels smaller than a quarter-quarter section or surveyed lot. Upon approval, relinquishment shall relieve the Lessee of all future rental obligations as to the relinquished lands effective as of the date of filing of the relinquishment, but shall not relieve Lessee from other obligations to the extent provided in paragraph 15.2, Effect of Termination.

4. **BONUS BID.** Lessee agrees to pay Lessor a bonus bid upon each ton of recoverable coal in the Leased Premises on the same basis of valuation and timeliness of payments as Lessee may agree to pay the federal government upon like quality federal coal subsequently added to federal coal lease U-07064 or leased upon nearby federal lands to extend the area of deep-cover coal mining within the Dugout Canyon Mine. Lessor may require Lessee to submit a bond or other sufficient surety to secure Lessee's obligation to pay the bonus bid. The bonus bid may not be credited against any other payments, annual rentals or royalties accruing under the lease.

5. **RENTALS.** Lessee agrees to pay Lessor an annual rental of three dollars ($3.00) for each acre and fractional part thereof within the Leased Premises. Lessee shall promptly pay annual rentals each year in advance on or before the anniversary date of the Effective Date. Lessee may not credit rentals against production royalties or against minimum royalties payable pursuant to paragraph 3.3, Diligent Operations; Minimum Royalty.

6. **ROYALTIES.**

6.1 **Production Royalties.** Lessee shall pay Lessor a production royalty of eight per cent (8%) of the value of all coal severed and removed from the Leased Premises. For all coal sold pursuant to an arm's-length contract, value shall be determined on the basis of the gross proceeds received by Lessee from the sale or disposition of such coal. Gross proceeds shall include all bonuses, allowances or other consideration of any nature received by Lessee for coal actually produced. For any coal that is sold or disposed of other than by an arm's-length contract, or for coal that is used within the mine permit area containing the Leased Premises for generation of electricity or for gasification, liquefaction, in situ processing, or other method of extracting energy from such coal, the value of such coal shall be determined by Lessor with reference to (in order of priority): (i) comparable arm's-length contracts or other dispositions of like-quality coal produced in the same coal field; (ii) prices reported for that coal to a public utility commission; (iii) prices reported to other governmental agencies; or (iv) other relevant information.

6.2 **Allowable Deductions.** It is expressly understood and agreed that none of Lessee's mining or production costs, including but not limited to costs for materials, labor, overhead, distribution, transportation within the mine permit area prior to the point of sale, loading, crushing, sizing, screening, or general and administrative activities, may be deducted in computing Lessor's royalty. All such costs shall be entirely borne by Lessee and are anticipated by the rate of royalty set forth in this Lease. In the event that the point
of sale for coal produced from this Lease is located outside the mine permit area boundary, Lessee may deduct the reasonable, actual costs of transportation of such coal from the mine permit area boundary to the point of sale from gross proceeds in computing Lessor’s royalty; provided, however, that transportation deductions for coal transported by Lessee, Lessee’s affiliates, or by non-arm’s-length contract are subject to review and modification by Lessor. Lessee shall be allowed to deduct its actual, reasonable washing and treatment costs from gross proceeds in computing Lessor’s royalty; provided, however, that, upon Lessor’s request Lessee shall provide to Lessor appropriate justification to demonstrate that Lessee’s costs are reasonable.

6.3 Reference to Federal Regulations. It is the intent of Lessor and Lessee that the calculation of the value of coal for royalty purposes be consistent with federal coal regulations governing the valuation of coal, except where this Lease expressly provides otherwise. In no event shall the value of coal used for calculation of royalties under this Lease be less than the value which would be obtained were federal royalty valuation regulations applied.

6.4 Royalty Payment. For all coal severed and removed from the Leased Premises that is used, sold, transported or otherwise disposed of during a particular month, Lessee shall pay royalties to Lessor on or before the end of the next succeeding month. Royalty payments shall be accompanied by a verified statement, in a form approved by Lessor, stating the amount of coal sold or otherwise disposed of, the gross proceeds accruing to Lessor, the calculation of allowable deductions, and any other information reasonably required by Lessor to verify production and disposition of the coal or coal products. In the event that Lessee uses or disposes of coal pursuant to a non-arm’s-length contract, or uses coal for generation of electricity or for gasification, liquefaction, in situ processing, or other method of extracting energy from such coal, Lessee shall notify Lessor of such use or disposal on or before the end of the next succeeding month following such use or disposal, and shall pay royalties upon Lessor’s good faith estimate of the value of such coal, subject to Lessor’s right to determine the value of such coal pursuant to paragraph 6.1, Production Royalties.

6.6 Suspension, Waiver or Reduction of Rents or Royalties. Lessor, to the extent not prohibited by applicable law, is authorized to waive, suspend, or reduce the rental or minimum royalty, or reduce the royalty applicable with respect to the entire Lease, whenever in Lessor’s sole judgment it is necessary to do so in order to promote development, or whenever in the Lessor’s sole judgment the Lease cannot be successfully operated under the terms provided herein.

7. RECORDKEEPING: INSPECTION: AUDITS.

7.1 Registered Agent; Records. Lessee shall maintain a registered agent within the State of Utah to whom any and all notices may be sent by Lessor and upon whom process may be served. Lessee shall also maintain an office within the State of Utah containing originals or copies of all maps, engineering data, permitting materials, books, records or contracts (whether such documents are in paper or electronic form) generated by Lessee that pertain in any way to coal production, output and valuation; mine operations; coal sales and dispositions; transportation costs; and calculation of royalties from the Leased Premises. Lessee shall maintain such documents for at least seven years after the date of the coal production to which the documents pertain.

7.2 Inspection. Lessor’s employees and authorized agents at Lessor’s sole risk and expense shall have the right to enter the Leased Premises to check scales as to their accuracy, and to go on any part of the Leased
Premises to examine, inspect, survey and take measurements for the purposes of verifying production amounts and proper lease operations. Upon reasonable notice to Lessee, Lessor’s employees and authorized agents shall further have the right to audit, examine and copy (at Lessor’s expense) all documents described in paragraph 7.1, Registered Agent; Records, whether such documents are located at the mine site or elsewhere. Lessee shall furnish all conveniences necessary for said inspection, survey, or examination; provided, however, that such inspections shall be conducted in a manner that is in conformance with all applicable mine safety regulations and does not unreasonably interfere with Lessee’s operations.

7.3 Geologic Information. In the event Lessee conducts core-drilling operations or other geologic evaluation of the Leased Premises, Lessor may inspect core samples, evaluations thereof, and proprietary geologic information concerning the Leased Premises.

7.4 Confidentiality. Any and all documents and geologic data obtained by Lessor through the exercise of its rights as set forth in paragraphs 7.2, Inspection., and 7.4, Geologic Information., may be declared confidential information by Lessee, in which event Lessor and its authorized agents shall maintain such documents and geologic data as protected records under the Utah Governmental Records Access Management Act or other applicable privacy statute and shall not disclose the same to any third party without the written consent of Lessee, the order of a court of competent jurisdiction requiring such disclosure, or upon termination of this Lease.

8. USE OF SURFACE ESTATE.

8.1 Lessor-Owned Surface. If Lessor owns the surface estate of all or some portion of the Leased Premises, by issuance of this Lease the Lessee has been granted the right to make use of such lands to the extent reasonably necessary and expedient for the economic operation of the leasehold. Lessee’s right to surface use of Lessor-owned surface estate shall include the right to subside the surface. Such surface uses shall be exercised subject to the rights reserved to Lessor as provided in paragraph 2, RESERVATIONS TO LESSOR, and without unreasonable interference with the rights of any prior or subsequent lessee of Lessor.

8.2 Split-Estate Lands. If Lessor does not own the surface estate of any portion of the Leased Premises, Lessee’s access to and use of the surface of such lands shall be determined by applicable law governing mineral development on split-estate lands, including without limitation applicable statutes governing access by mineral owners to split estate lands, and reclamation and bonding requirements. Lessee shall indemnify, defend and hold Lessor harmless for all claims, causes of action, damages, costs and expenses (including attorney’s fees and costs) arising out of or related to damage caused by Lessee’s operations to surface lands or improvements owned by third parties.

9. APPLICABLE LAWS AND REGULATIONS: HAZARDOUS SUBSTANCES

9.1 State of Utah and Trust Lands Statute and Regulations. This Lease is issued pursuant to Title 53C, Utah Code Annotated, 1953, as amended, and Lessee is subject to and shall comply with all current and future rules and regulations adopted by the School and Institutional Trust Lands Administration and its successor agencies.
9.2 Other Applicable Laws and Regulations. Lessee shall comply with all applicable federal, state and local statutes, regulations, and ordinances, including without limitation the Utah Coal Mining and Reclamation Act, applicable statutes and regulations relating to mine safety and health, and applicable statutes, regulations and ordinances relating to public health, pollution control, management of hazardous substances and environmental protection.

9.3 Hazardous Substances. Lessee [or other occupant pursuant to any agreement authorizing mining] shall not keep on or about the premises any hazardous substances, as defined under 42 U.S.C. Section 9601(14) or any other Federal environmental law, any regulated substance contained in or released from any underground storage tank, as defined by the Resource Conservation and Recovery Act, 42 U.S.C. Section 6991, et seq., or any substances defined and regulated as "hazardous" by applicable State law, (hereinafter, for the purposes of this Lease, collectively referred to as "Hazardous Substances") unless such substances are reasonably necessary in Lessee's mining operations, and the use of such substances or tanks is noted and approved in the Lessee's mining plan, and unless Lessee fully complies with all Federal, State and local laws, regulations, statutes, and ordinances, now in existence or as subsequently enacted or amended, governing Hazardous Substances. Lessee shall immediately notify Lessor, and any other Federal, State and local agency with jurisdiction over the Leased Premises, or surface thereof, or contamination thereon, of (i) all reportable spills or releases of any Hazardous Substance affecting the Leased Premises, (ii) all failures to comply with any applicable Federal, state or local law, regulation or ordinance governing Hazardous Substances, as now enacted or as subsequently enacted or amended, (iii) all inspections of the Leased Premises by, or any correspondence, order, citations, or notifications from any regulatory entity concerning Hazardous Substances affecting the Leased Premises, (iv) all regulatory orders or fines or all response or interim cleanup actions taken by or proposed to be taken by any government entity or private Party concerning the Leased Premises.

9.4 Hazardous Substances Indemnity. Lessee [or other occupant pursuant to any agreement authorizing mining] shall indemnify, defend, and hold harmless Lessor, its agencies, employees, officers, and agents with respect to any and all damages, costs, liabilities, fees (including attorneys' fees and costs), penalties (civil and criminal), and cleanup costs arising out of or in any way related to Lessee's use, disposal, transportation, generation, sale or location upon or affecting the Leased Premises of Hazardous Substances, as defined in paragraph 9.4 of this Lease. This indemnity shall extend to the actions of Lessee's employees, agents assigns, sublessees, contractors, subcontractors, licensees and invitees. Lessee shall further indemnify, defend and hold harmless Lessor and the United States from any and all damages, costs, liabilities, fees (including attorneys' fees and costs), penalties (civil and criminal), and cleanup costs arising out of or in any way related to any breach of the provisions of this Lease concerning Hazardous Substances. This indemnity is in addition to, and in no way limits, the general indemnity contained in paragraph 16.1 of this Lease.

9.5 Waste Certification. The Lessee shall provide upon abandonment, transfer of operation, assignment of rights, sealing-off of a mined area, and prior to lease relinquishment, certification to the Lessor and the Bureau of Land Management that, based upon a complete search of all the operator's records for the Lease, and upon its knowledge of past operations, there have been no reportable quantities of hazardous substances as defined in 40 Code of Federal Regulations Section 302.4, or used oil as defined in Utah Administrative Code R315-15, discharged (as defined at 33 U.S.C. Section 1321(a)(2)), deposited or released within the Leased Premises, either on the surface or underground, and that all remedial actions necessary have been taken to protect human health and the environment with respect to such substances. Lessee shall additionally provide to Lessor and the Bureau of Land Management a complete list of all...
hazardous substances, hazardous materials, and their respective Chemical Abstracts Service Registry Numbers, and oil and petroleum products used or stored on, or delivered to, the Leased Premises. Such disclosure will be in addition to any other disclosure required by law or agreement.

10. BONDING.

10.1 Lease Bond Required. At any time after this Lease is executed, if requested by the Lessor, Lessee shall execute and file with the Lessor a good and sufficient bond or other financial guarantee acceptable to Lessor in order to: (a) guarantee Lessee’s performance of all covenants and obligations under this Lease, including Lessee’s obligation to pay royalties; and (b) ensure compensation for damage, if any, to the surface estate and any surface improvements. The form of the Lease Bond shall meet all federal and state lease bond requirements as described in 43 Code of Federal Regulations Subpart 3474. Lessee shall also satisfy all reclamation bonding requirements of the Utah Division of Oil, Gas and Mining (“UDOGM”) in connection with the issuance of a mine permit which includes the Leased Premises.

10.2 Reclamation Bonding. The bond filed with the Utah Division of Oil, Gas and Mining (“UDOGM”) in connection with the issuance of a mine permit which includes the Leased Premises shall be deemed to satisfy Lessor’s bonding requirements with respect to Lessee’s reclamation obligations under this Lease; provided, however, upon notice to Lessee and a public hearing with respect to the basis for its decision, the Lessor may, in its reasonable discretion, determine that the bond filed with UDOGM is insufficient to protect Lessor’s interests. In such an event the Lessor shall enter written findings as to the basis for its calculation of the perceived insufficiency and enter an order establishing the amount of additional bonding required. Lessee shall file any required additional bond with Lessor within thirty (30) days after demand by Lessor. Lessor may increase or decrease the amount of any additional bond from time to time in accordance with the same procedure.

10.3 Release of Additional Bond. Any additional bond required by Lessor pursuant to 10.2, Reclamation Bonding, may be released by Lessor at any time and shall be released no later than the time of final bond release by UDOGM with respect to the Leased Premises.

11. WATER RIGHTS.

11.1 Water Rights in Name of Lessor. If Lessee files to appropriate water for coal mining operations on the Leased Premises, the filing for such water right shall be made by Lessee in the name of Lessor at no cost to Lessor, and such water right shall become an appurtenance to the Leased Premises, subject to Lessee’s right to use such water right at no cost during the term of this Lease.

11.2 Option to Purchase. If Lessee purchases or acquires an existing water right for coal mining operations on the Leased Premises, Lessor shall have the option to acquire that portion of such water right as was used on the Leased Premises upon expiration or termination of this Lease. The option price for such water right shall be the fair market value of the water right as of the date of expiration or termination of this Lease. Upon expiration or termination of this Lease, Lessee shall notify Lessor in writing of all water rights purchased or acquired by Lessee for coal mining operations on the Leased Premises and its estimate of the fair market value of such water right. Lessor shall then have forty-five (45) days to exercise its option to acquire the water by payment to Lessee of the estimated fair market value. If Lessor disagrees with Lessee’s estimate of fair market value, Lessor shall notify Lessee of its disagreement within the 45 day option exercise period. The fair market value of the water right shall then be appraised by a single
appraiser mutually acceptable to both parties, which appraisal shall be final and not subject to review or appeal. If the parties cannot agree upon the choice of an appraiser, the fair market value of the water right shall be determined by a court of competent jurisdiction. Conveyance of any water right pursuant to this paragraph shall be by quit claim deed.

12. ASSIGNMENT OR SUBLEASE; OVERRIDING ROYALTIES.

12.1 Consent Required. Lessee shall not assign or sublease this Lease in whole or in part, or otherwise assign or convey any rights or privileges granted by this Lease, including, without limitation, creation of overriding royalties or production payments, without the prior written consent of Lessor. Any assignment, sublease or other conveyance made without prior written consent of Lessor shall have no legal effect unless and until approved in writing by Lessor. Exercise of any right with respect to the Leased Premises in violation of this provision shall constitute a default under this Lease.

12.2 Binding Effect. All of the terms and provisions of this Lease shall be binding upon and shall inure to the benefit of their respective successors, assigns, and sublessees.

12.3 Limitation on Ovcrriding Royalties. Lessor reserves the right to disapprove the creation of an overriding royalty or production payment that would, in Lessor's reasonable discretion, constitute an unreasonable economic burden upon operation of the Lease. In exercising its discretion to disapprove the creation of an overriding royalty, Lessor shall consult with Lessee and any third parties involved and shall prepare findings to evidence the basis of its decision. Cumulative overriding royalties of 2% or less shall be deemed presumptively reasonable unless special circumstances are shown by Lessor to exist.

13. OPERATIONS.

13.1 Permitting. Before Lessee commences exploration, drilling, or mining operations on the Leased Premises, it shall have obtained such permits and posted such bonds as may be required under applicable provisions of the Utah Coal Mining and Reclamation Act, the Surface Mining Control and Reclamation Act, and associated regulations, together with applicable regulations of the surface management agency. Lessee shall maintain any required permits in place for the duration of mining operations and reclamation. Upon request, Lessee shall provide Lessor with a copy of all regulatory filings relating to permitting matters.

13.2 Plan of Operations. Prior to the commencement of any underground mining operations on the Leased Premises, Lessee shall obtain Lessor's approval of a plan of operations for the Leased Premises. The plan of operations shall contain all information required to be contained in a federal Resource Recovery and Protection Plan, as described in 43 Code of Federal Regulations Section 3482.1(b) and (c) (1998). Lessor may modify the proposed plan of operations as is needed to insure that there is no waste of economically recoverable coal reserves contained on the Leased Premises. In this context "waste" shall mean the inefficient utilization of, or the excessive or improper loss of an otherwise economically recoverable coal resource. Lessor shall notify Lessee in writing of its approval or modifications of the plan of operations. The plan of operations submitted by Lessee shall be deemed approved by Lessor if Lessor has not otherwise notified Lessee within sixty (60) days of filing.

13.3 Plan of Operations - Modification. In the event that material changes are required to the plan of operations during the course of mining, Lessee shall submit a modification of the plan of operations to the Lessor. Routine adjustments to the plan of operations based upon geologic circumstances encountered during
day-to-day mining operations do not require the submission of a modification. If the proposed changes require emergency action by Lessor, then the Lessee shall so notify the Lessor at the time of submission of the modification and the parties shall use their best efforts to meet the Lessee's time schedule regarding implementation of the changes. Non-emergency modifications will be reviewed promptly by Lessor to insure that there is no waste of economically recoverable coal reserves pursuant to the plan of operations, as modified, and Lessor shall notify lessee in writing of its approval or modification of the proposed modification. Modifications shall be deemed approved by Lessor if Lessor has not otherwise notified Lessee within thirty (30) days of filing with Lessor.

13.4 Mine Maps. Lessee shall maintain at the mine office clear, accurate, and detailed maps of all actual and planned operations prepared and maintained in the manner prescribed by 43 Code of Federal Regulations Section 3482.3 (1998). Lessee shall provide copies of such maps to Lessor upon request.

13.5 Good Mining Practices. Lessee shall conduct exploration and mining operations on the Leased Premises in accordance with standard industry operating practices, and shall avoid waste of economically recoverable coal. Lessee shall comply with all regulations and directives of the Mine Safety and Health Administration or successor agencies for the health and safety of employees and workers. Lessee shall further comply with the performance standards for underground resource recovery set forth at 43 Code of Federal Regulations Section 3484.1(c) (1998); provided, however, that Lessor may waive such standards from time to time in its reasonable discretion, upon request by Lessee. Coal shall be mined from this Lease by underground methods only.

13.6 Mining Units. Lessor may approve the inclusion of the Leased Premises in a mining unit with federal, private or other non-state lands upon terms and conditions that it deems necessary to protect the interests of the Lessor, including without limitation segregation of production, accounting for commingled coal production, and minimum production requirements or minimum royalties for the Leased Premises.

14. EQUIPMENT; RESTORATION.

14.1 Equipment. Upon termination of this Lease, Lessee shall remove, and shall have the right to remove, all improvements, equipment, stockpiles, and dumps from the Leased Premises within six (6) months; provided, however, that Lessor may, at Lessor's sole risk and expense, and subject to Lessee's compliance with requirements imposed by UDOGM and MSHA, require Lessee to retain in place underground timbering supports, shaft linings, rails, and other installations reasonably necessary for future mining of the Leased Premises. All improvements and equipment remaining on the Leased Premises after six (6) months may be deemed forfeited to Lessor upon written notice of such forfeiture to Lessee. Lessee may abandon underground improvements, equipment of any type, stockpiles and dumps in place if such abandonment is in compliance with applicable law, and further provided that Lessee provides Lessor with financial or other assurances sufficient in Lessor's reasonable discretion to protect Lessor from future environmental liability with respect to such abandonment or any associated hazardous waste spills or releases. Lessee shall identify and locate on the mine map the location of all equipment abandoned on the Lease Premises.

14.2 Restoration and Reclamation. Upon termination of this Lease, Lessee shall reclaim the Leased Premises in accordance with the requirements of applicable law, including mine permits and reclamation plans on file with UDOGM. Lessee shall further abate any hazardous condition on or associated with the Leased Premises. Lessee and representatives of all governmental agencies having jurisdiction shall have the right
to re-enter the Leased Premises for reclamation purposes for a reasonable period after termination of the Lease.

15. DEFAULT

15.1 Notice of Default: Termination. Upon Lessee’s violation of or failure to comply with any of the terms, conditions or covenants set forth in this Lease, Lessor shall notify Lessee of such default by registered or certified mail, return receipt requested, at the last address for Lessee set forth in Lessor’s files. Lessee shall then have thirty (30) days, or such longer period as may be granted in writing by Lessor, to either cure the default or request a hearing pursuant to the Lessor’s administrative adjudication rules. In the event Lessee fails to cure the default or request a hearing within the specified time period, Lessor may cancel this Lease without further notice to or appeal by Lessee.

15.2 Effect of Termination. The termination of this Lease for any reason, whether through expiration, cancellation or relinquishment, shall not limit the rights of the Lessor to recover any royalties and/or damages for which Lessee may be liable, to recover on any bond on file, or to seek injunctive relief to enjoin continuing violations of the Lease terms. No remedy or election under this Lease shall be deemed exclusive, but shall, wherever possible, be cumulative with all other remedies available under this Lease, at law, or in equity. Lessee shall surrender the Leased Premises upon termination; however, the obligations of Lessee with respect to reclamation, indemnification and other continuing covenants imposed by this Lease shall survive the termination.

16. MISCELLANEOUS PROVISIONS.

16.1 Indemnity. Except as limited by paragraph 7.2, Inspection, Lessee shall indemnify and hold Lessor harmless for, from and against each and every claim, demand, liability, loss, cost, damage and expense, including, without limitation, attorneys’ fees and court costs, arising in any way out of Lessee’s occupation and use of the Leased Premises, including without limitation claims for death, personal injury, property damage, and unpaid wages and benefits. Lessee further agrees to indemnify and hold Lessor harmless for, from and against all claims, demands, liabilities, damages and penalties arising out of any failure of Lessee to comply with any of Lessee’s obligations under this Lease, including without limitation attorneys’ fees and court costs.

16.2 Interest. Except as set forth in paragraph 4, BONUS BID, interest shall accrue and be payable on all obligations arising under this Lease at such rate as may be set from time to time by rule enacted by Lessor. Interest shall accrue and be payable, without necessity of demand, from the date each such obligation shall arise.

16.3 Suspension. In the event that Lessor in its reasonable discretion determines that suspension is necessary in the interests of conservation of the coal resource, or if Lessee has been prevented from performing any of its obligations or responsibilities under this Lease or from conducting mining operations by labor strikes, fires, floods, explosions, riots, any unusual mining casualties or conditions, Acts of God, government restrictions or orders, severe weather conditions, or other extraordinary events beyond its control, then the time for performance of this Lease by Lessee shall be suspended during the continuance of such acts which prevent performance, excepting any payments due and owing to Lessor.
16.4 **Consent to Suit; Jurisdiction** (i) Lessor and Lessee agree that all disputes arising out of this Lease shall be litigated only in the Third Judicial District Court for Salt Lake County, Utah; (ii) Lessee consents to the jurisdiction of such court; and (iii) Lessee shall not bring any action against Lessor without exhaustion of available administrative remedies and compliance with applicable requirements of the Utah Governmental Immunity Act.

16.5 **No Waiver.** No waiver of the breach of any provision of this Lease shall be construed as a waiver of any preceding or succeeding breach of the same or any other provision of this Lease, nor shall the acceptance of rentals or royalties by Lessor during any period of time in which Lessee is in default be deemed to be a waiver of such default.

16.6 **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

16.7 **Entire Lease.** This Lease, together with any attached stipulations, sets forth the entire agreement between Lessor and Lessee with respect to the subject matter of this Lease. No subsequent alteration or amendment to this Lease shall be binding upon Lessor and Lessee unless in writing and signed by each of them.
IN WITNESS WHEREOF, the parties have executed this Lease as of the date hereinafore first written.

APPROVED AS TO FORM:
MARK L. SHURTLEFF
ATTORNEY GENERAL
By __________
Form Approved: 3-16-07

THE STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION ("LESSOR")

KEVIN S. CARTER, DIRECTOR
By __________
THOMAS B. FADDIES
ASSISTANT DIRECTOR/MINERALS

ARK LAND COMPANY ("LESSEE")

By: __________
Its: __________

INCORPORATED
SLP 2.2.2008
Div of Oil, Gas & Mining
STATE OF UTAH
COUNTY OF SALT LAKE

On the 14th day of MARCH, 2007, personally appeared before me
Thomas B. Fadden, who being by me duly sworn did say that he is
Assistant Director of the School and Institutional
Trust Lands Administration of the State of Utah and the signer of the above instrument, who duly acknowledged that he
executed the same.

Given under my hand and seal this 14th day of MARCH, 2007.

Notary Public
Residing at:

My commission expires:

STATE OF MISSOURI
COUNTY OF SALT LAKE

On the 5th day of MARCH, 2007, personally appeared before me
Steven L. McPherson, who being duly sworn did say that he is an officer of
the [illegible] and that said instrument was signed in behalf of said corporation by
resolution of its Board of Directors, and said that he acknowledged to me that said corporation executed the same.

Given under my hand and seal this 5th day of MARCH, 2007.

Notary Public
Residing at:

My commission expires:

MARY C. HAMILTON
St. Louis City
My Commission Expires:
September 14, 2007
JOINDER OF ML 50582-OBA
TO BOOK CLIFFS COAL UNIT

Recitals

1. The Book Cliffs Coal Unit agreement was entered into effective November 1, 2006 between the Utah School and Institutional Trust lands Administration, 675 East, 500 South, Salt Lake City, UT 840102 (“SITLA” of “Lessor”) and Canyon Fuel Company, LLC, C/O Ark Land Company, CityPlace One, Suite 300, St. Louis, MO 63141 (“Lessees”), to utilize four trust land coal leases, ML 42648, ML 42649, ML 44365 and ML 48435-OBA, within the Soldier Canyon Mine/Dugout Canyon Mine coal mine complex for purposes of development and production.

2. Effective February 1, 2007, Trust Land coal lease ML 50582-OBA was entered into between the Utah School and Institutional Trust lands Administration, 675 East, 500 South, Salt Lake City, UT 840102 (“SITLA” of “Lessor”) and Canyon Fuel Company, LLC, C/O Ark Land Company, CityPlace One, Suite 300, St. Louis, MO 63141 (“Lessees”) with an.

3. The lands comprising coal lease ML 50582-OBA include the W2, Section 16, Township 13 South, Range 13 East, SLB&M, Carbon County which shares a common corner with the lands comprising coal lease ML 48435-OBA which is within the Book Cliffs Coal Unit. It is in the interest of both Lessee and Lessor to mine the coal within the lands within ML 50582 in conjunction with mining activity planned in the Book Cliffs Coal Unit area.

NOW THEREFORE: It is agreed by the parties hereto that the lands within ML 50582-OBA are hereby joined to the Book Cliffs Coal Unit pursuant to the terms of ML 50582-OBA and the Book Cliffs Coal Unit Agreement, effective upon execution of this amendment, for all purposes of development and production. The terms and conditions of mineral lease ML 50582-OBA are superseded and governed by the terms and conditions of the Book Cliffs Coal Unit to the extent allowed by law.
IN WITNESS WHEREOF, the parties have executed this amendment as follows.

THE STATE OF UTAH, acting by and through the
SCHOOL AND INSTITUTIONAL TRUST LANDS
ADMINISTRATION ("LESSOR")

KEVIN S. CARTER, DIRECTOR

THOMAS B. FADDIES
ASSISTANT DIRECTOR/MINERALS

ARK LAND COMPANY ("LESSEE")

By: [Signature]

Its: [Signature]

APPROVED AS TO FORM:
MARK L. SHURTLEFF
ATTORNEY GENERAL

Form Approved: [Signature]

INCORPORATED
SEP 22 2008
Div. of Oil, Gas & Mining
STATE OF UTAH )
COUNTY OF SALT LAKE )

On the 14th day of January, 2007, personally appeared before me THOMAS B. FADDIES, who duly sworn did say that he is Assistant Director of the School & Institutional Trust Lands Administration of the State of Utah and the signer of the above instrument, who duly acknowledged that he executed the same.

Given under my hand and seal this 14th day of January, 2007.

THOMAS B. FADDIES

My Commission Expires:

NOTARY PUBLIC, residing at:

BECKY PRITCHETT
NOTARY PUBLIC - STATE of UTAH
675 E. 600 S., SUITE 500
SALT LAKE CITY, UTAH 84102
COMM. EXpires 10-10-10

STATE OF MISSOURI )
COUNTY OF ST. LOUIS )

On the 25th day of February, 2007, personally appeared before me STEVEN E. MCCURDY, President, who being duly sworn did say that he is an officer of said corporation and that said instrument was signed in behalf of said corporation by resolution of its Board of Directors, and said instrument acknowledged to me that said corporation executed the same.

Given under my hand and seal this 25th day of February, 2007.

MARY C. HAMILTON
NOTARY PUBLIC, residing at:

MARY C. HAMILTON
ST. LOUIS CITY
My Commission Expires
September 14, 2007
APPENDIX 1-1
Coal Lease Documents
IN REPLY REFER TO:
3432
UTU-07064-027821
(UT-923)

CERTIFIED MAIL - Return Receipt Requested

Canyon Fuel Company, LLC

c/o Ark Land Company

Attn: David J. Finnerty

Director - Land Management

City Place One, Suite 300

St. Louis, MO 63141

DEcision

Coal Lease

UTU-07064-027821

Enclosed is a copy of modified coal lease UTU-07064-027821 effective on July 1, 2009. The terms and conditions of the original lease are made consistent with the laws, regulations, and lease terms applicable at the time of this modification. The anniversary date of the coal lease remains January 1, 1957.

On June 25, 2009 a surety rider submitted by Tara Mealer, an Attorney-in-Fact for the Safeco Insurance Company of America agreed to extend the coverage of the $2,076,000 lease bond to the additional modified acreage. This rider is acceptable to extend that coverage and is accepted as of the date of filing.

Please note that rental in the amount of $3.00 per acre, or fraction thereof, or a total of $8,862 is due on the next anniversary date, beginning with January 1, 2010.

J. D. McKenzie
Chief, Branch of
Solid Minerals

Enclosures:
Modified Coal Lease (9 pp.)

cc: Price Coal Office
Mr. John Baza, Director, UDOGM, Box 145801, Salt Lake City, Utah 84114-5801
MMS, Solid Minerals Staff, MS 390B2, Box 25165, Denver, CO 80225
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

MODIFIED COAL LEASE

PART I.

THIS MODIFIED COAL LEASE is entered into on __July 1, 2009__________, by and between the
UNITED STATES OF AMERICA, hereinafter called the Lessor, through the Bureau of Land Management, and
Canyon Fuel Company LLC
c/o Ark Land Company
City Place One, Suite 300
St. Louis, MO 63141

hereinafter called Lessee.

This modified lease shall retain the effective date of January 1, 1957, of the original COAL LEASE
UTU-07064-027821, and is effective for a period of 10 years from the date of the last lease readjustment, dated
January 1, 2007 and for so long thereafter as coal is produced in commercial quantities from the leased lands,
subject to readjustment of lease terms at the end of each 10 year lease period thereafter.

Sec. 1. This lease is issued pursuant and subject to the terms and provisions of the: (NOTE: Check the
appropriate Act or Acts.)

as the Act;


and to the regulations and formal orders of the Secretary of the Interior which are now or hereafter in force, when
not inconsistent with the express and specific provisions herein.

Sec. 2. Lessee as the holder of Coal Lease UTU-07064-027821, issued effective January 1, 1957, was granted
the exclusive right and privilege to drill for, mine, extract, remove or otherwise process and dispose of the coal
deposits in, upon, or under the lands described below as Tract 1 and Tract 2.

The Lessor in consideration of fair market value, rents and royalties to be paid, and the conditions and covenants to
be observed as herein set forth, hereby grants and leases to Lessee the exclusive right and privilege to drill for,
mine, extract, remove, or otherwise process and dispose of the coal deposits in, upon, or under the lands described
below as Tract 3.

Tract 1:
T. 13 S., R. 12 E., SLM, Utah
Sec. 13, S 1/4;
Sec. 23, E1/2 E1/4, NE 1/4 SW 1/4, W 1/4 SE 1/4;
Sec. 24, all;
Sec. 25, N 1/4 N 1/4;
Sec. 26, N 1/4 NE 1/4.

Tract 2:
T. 13 S., R. 13 E., SLM, Utah
Sec. 17, S 1/4 N 1/4, N 1/4 SE 1/4, SE 1/4 SE 1/4;
Sec. 18, lot 2, S 1/4 NE 1/4, SE 1/4 NW 1/4;
Sec. 21, NW 1/4 NW 1/4.

Tract 3:
T. 13 S., R. 12 E., SLM, Utah
Sec. 18, lots 3 and 4, E 1/2 W 1/4, SE 1/4;
Sec. 19, lots 1-4, E 1/2 W 1/4, NE 1/4, NW 1/4 SE 1/4;
Sec. 30, lot 1.

T. 13 S. R. 13 E., SLM, Utah
Sec. 23, E 1/2 SE 1/4 SW 1/4;
Sec. 25, N 1/4 SW 1/4 NW 1/4;
Sec. 26, NE 1/4 SE 1/4 NE 1/4.

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MAY 22 2012
of Oil, Gas & Mining
containing 2,953.71 acres, more or less, together with the right to construct such works, buildings, plants, structures, equipment and appliances and the right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.

Part II. TERMS AND CONDITIONS

Sec. 1.(a) RENTAL RATE - Lessee shall pay Lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate of $3.00 per acre for each lease year.

(b) RENTAL CREDITS - Rental shall not be credited against either production or advance royalties for any year.

Sec. 2.(a) PRODUCTION ROYALTIES - The royalty shall be 8 percent of the value of the coal as set forth in the regulations. Royalties are due to Lessor the final day of the month succeeding the calendar month in which the royalty obligation accrues.

(b) ADVANCE ROYALTIES - Upon request by the Lessee, the authorized officer may accept, for a total of not more than 20 years, the payment of advance royalties in lieu of continued operation, consistent with the regulations. The advance royalty shall be based on a percent of the value of a minimum number of tons determined in the manner established by the advance royalty regulations in effect at the time the Lessee requests approval to pay advance royalties in lieu of continued operation.

* 20 years (Public Law 109-58)

Sec. 3. BONDS - Lessee shall maintain in the proper office a lease bond in the amount of $2,076,000. The authorized officer may require an increase in this amount when additional coverage is determined appropriate.

Sec. 4. DILIGENCE - This lease achieved diligent development February 1, 2003, and is subject to the conditions of continued operation. Continued operation may be excused when operations under the lease are interrupted by strikes, the elements, or casualties not attributable to the Lessee. The Lessor, in the public interest, may suspend the condition of continued operation upon payment of advance royalties in accordance with the regulations in existence at the time of the suspension.

The Lessor reserves the power to assent to or order the suspension of the terms and conditions of this lease in accordance with, Inter alia, Section 39 of the Mineral Leasing Act, 30 U.S.C. 209.

Sec. 5. LOGICAL MINING UNIT (LMU) - Either upon approval by the Lessor of the Lessee’s application or at the direction of the Lessor, this lease shall become an LMU or part of an LMU, subject to the provisions set forth in the regulations.

The stipulations established in an LMU approval in effect at the time of LMU approval or modification will supersede the relevant inconsistent terms of this lease so long as the lease remains committed to the LMU. If the LMU of which this lease is a part is dissolved, the lease shall then be subject to the lease terms which would have been applied if the lease had not been included in an LMU.

This lease was placed in the Soldier Creek LMU effective March 1, 1996.

Sec. 6. DOCUMENTS, EVIDENCE AND INSPECTION - At such times and in such form as Lessor may prescribe, Lessee shall furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost.

Lessee shall keep open at all reasonable times for the inspection of any duly authorized officer of Lessor, the leased premises and all surface and underground improvements, works, machinery, ore stockpiles, equipment, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lessee shall allow Lessor access to and copying of documents reasonably necessary to verify Lessee compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Action (5 U.S.C. 552).
the operating regulations, having due regard for the
prevention of injury to life, health, or property, and
prevention of waste, damage or degradation any land,
air, water, cultural, biological, visual, and other
resources, including mineral deposits and formations
of mineral deposits not leased hereunder, and to
other land uses or users. Lessee shall take
measures deemed necessary by Lessor to
accomplish the intent of this lease term. Such
measures may include, but not limited to, modification
to proposed siting or design of facilities, timing of
operations, and specifications of interim and final
reclamation procedures. Lessor reserves to itself the
right to lease, sell, or otherwise dispose of the surface
or other mineral deposits in the lands and the right to
continue existing uses and to authorize future uses
upon or in the leased lands, including issuing leases
for mineral deposits not covered hereunder and
approving easements or rights-of-way. Lessor shall
condition such uses to prevent unnecessary or
unreasonable interference with rights of Lessee as
may be consistent with concepts of multiple use and
multiple mineral development.

Sec. 8 PROTECTION OF DIVERSE INTERESTS,
AND EQUAL OPPORTUNITY - Lessee shall: pay
when due all taxes legally assessed and levied under
the laws of the State or the United States; accord all
employees complete freedom of purchase; pay all
wages at least twice each month in lawful money of
the United States; maintain a safe working
environment in accordance with standard industry
practices; restrict the workday to not more than 8
hours in any one day for underground workers, except
in emergencies; and take measures necessary to
protect the health and safety of the public. No person
under the age of 16 years shall be employed in any
mine below the surface. To the extent that laws of
the State in which the lands are situated are more
restrictive than the provisions in this paragraph, then
the State laws apply.

Lessee will comply with all provisions of Executive
Order No. 11246 of September 24, 1965, as
amended, and the rules, regulations, and relevant
orders of the Secretary of Labor. Neither Lessee nor
Lessee's subcontractors shall maintain segregated
facilities.

Sec. 9.(a) TRANSFERS
(Check the appropriate space)

X This lease may be transferred in whole or in
part to another public body, or to a person who
will mine the coal on behalf of, and for the use of,
the public body or to a person who for the
limited purpose of creating a security interest in
favor of a lender agrees to be obligated to mine
the coal on behalf of the public body.

This lease may only be transferred in whole or
in part to another small business qualified under
13 CFR 121.

Transfers of record title, working or royalty interest
must be approved in accordance with the regulations.

(b) RELINQUISHMENTS - The Lessee may
relinquish in writing at any time all rights under this
lease or any portion thereof as provided in the
regulations. Upon Lessor's acceptance of the
relinquishment, Lessee shall be relieved of all future
obligations under the lease or the relinquished portion
thereof, whichever is applicable.

Sec. 10. DELIVERY OF PREMISES, REMOVAL OF
MACHINERY, EQUIPMENT, ETC. - At such times as
all portions of this lease are returned to Lessor,
Lessee shall deliver up to Lessor the land leased,
underground timbering, and such other supports and
structures necessary for the preservation of the mine
workings on the leased premises or deposits and
place all workings in condition for suspension or
abandonment. Within 180 days thereof, Lessee shall
remove from the premises all other structures,
machinery, equipment, tools, and materials that it
elects to or as required by the authorized officer. Any
such structures, machinery, equipment, tools, and
materials remaining on the leased lands beyond 180
days, or approved extension thereof, shall become
the property of the Lessor, but Lessee shall either
remove any or all such property or shall continue to
be liable for the cost of removal and disposal in the
amount actually incurred by the Lessor. If the surface
is owned by third parties, Lessor shall waive the
requirement for removal, provided the third parties
do not object to such waiver. Lessee shall, prior to the
termination of bond liability or at any other time when
required and in accordance with all applicable laws
and regulations, reclaim all lands the surface of which
has been disturbed, dispose of all debris or solid
waste, repair the offsite and onsite damage caused
by Lessee's activity or activities incidental thereto, and
reclaim access roads or trails.

Sec. 11. PROCEEDINGS IN CASE OF DEFAULT;
If Lessee fails to comply with applicable laws, existing
regulations, or the terms, conditions and stipulations
of this lease, and the noncompliance continues for 30
days after written notice thereof, this lease shall be
subject to cancellation by the Lessor only by judicial proceedings. This provision shall not be construed to prevent the exercise by Lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

Sec. 12. HEIRS AND SUCCESSORS - IN-INTEREST - Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall insure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 13. INDEMNIFICATION - Lessee shall indemnify and hold harmless the United States from any and all claims arising out of the Lessee's activities and operations under this lease.

Sec. 14. SPECIAL STATUTES - This lease is subject to the Federal Water Pollution Control Act (33 U.S.C. 1151 - 1175); the Clean Air Act (42 U.S.C. 1857 et seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation, including the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.)

Sec. 15. SPECIAL STIPULATIONS -

SEE ATTACHED STIPULATIONS
The United States of America

BY J. D. McKenzie

(Signing Officer)

Acting Branch Chief - Did / Minerals

(Title)

25 June 2009

(Date)

Canyon Fuel Company LLC

Company or Lessee Name

E. & Claudie

(Signature of Lessee)

President

(Title)

June 24, 2009

(Date)

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

INTEGRATED

MAY 22, 2012

Div. of Oil, Gas & Mining
SPECIAL STIPULATIONS FOR UTU-07064-027821
MODIFIED COAL LEASE

1. In accordance with Sec. 523(b) of the "Surface Mining Control and Reclamation Act of 1977," surface mining and reclamation operations conducted on this lease are to conform with the requirements of this act and are subject to compliance with Office of Surface Mining regulations, or as applicable the Utah program approved under the cooperative agreement in accordance with sec. 523(c). The United States Government does not warrant that the entire tract will be susceptible to mining.

2. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the lessee may be required to conduct a cultural resource inventory and a paleontological appraisal of the areas to be disturbed. These studies shall be conducted by qualified professional cultural resource specialists or qualified paleontologists, as appropriate, and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified cultural or paleontological resources.

   If cultural resources or paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the lessee prior to disturbance shall, immediately bring them to the attention of the Authorized Officer. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracks commonly encountered during underground mining operations.

   The cost of conducting the inventory, preparing reports, and carrying out mitigating measures shall be borne by the lessee.

3. If there is reason to believe that Threatened or Endangered (T&E) species of plants or animals, or migratory bird species of high Federal interest occur in the area, the Lessee shall be required to conduct an intensive field inventory of the area to be disturbed and/or impacted. The inventory shall be conducted by a qualified specialist and a report of findings will be prepared. A plan will be prepared making recommendations for the protection of these species or action necessary to mitigate the disturbance.

   The cost of conducting the inventory, preparing reports, and carrying out mitigating measures shall be borne by the lessee.

4. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the lessee may be required to conduct a paleontological appraisal of the areas to be disturbed. The appraisal shall be conducted by a qualified paleontologist and a report prepared itemizing the findings.

   A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified paleontological resources.

   If paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the lessee shall immediately bring them to the attention of the authorized officer who shall evaluate, or have evaluated such discoveries and, within 5 working days, shall notify the lessee what action shall be taken with respect to such discoveries. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracts commonly encountered during underground mining.

   The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measure shall be borne by the lessee. The cost of salvage of paleontological remains (fossils) shall be borne by the United States.

5. The Lessee shall be required to perform a study to secure adequate baseline data to quantify the existing
surface resources on and adjacent to the lease area. Existing data may be used if such data are adequate for the intended purposes. The study shall be adequate to locate, quantify, and demonstrate the interrelationship of the geology, topography, surface and ground water hydrology, vegetation and wildlife. Baseline data will be established so that future programs of observation can be incorporated at regular intervals for comparison.

6. Powerlines used in conjunction with the mining of coal from this lease shall be constructed so as to provide adequate protection for raptors and other large birds. When feasible, powerlines will be located at least 100 yards from public roads.

7. The lessee shall provide for the suppression and control of fugitive dust on haul roads and at coal-handling and storage facilities on the lease area. The migration of road surfacing and subsurface materials into streams and water courses shall be prevented.

8. The lessee shall be required to establish a monitoring system to locate, measure, and quantify the progressive and final effects of underground mining activities on the topographic surface, underground and surface hydrology and vegetation. The monitoring system shall utilize techniques which will provide a continuing record of change over time and an analytical method for location and measurement of a number of points over the lease area. The monitoring shall incorporate and be an extension of the baseline data. The monitoring system shall be adequate to locate and quantify, and demonstrate the inter-relationship of the geology, topography, surface hydrology, vegetation and wildlife.

9. Except at locations specifically approved by the Authorized Officer with concurrence of the surface management agency, underground mining operations shall be conducted in such a manner so as to prevent surface subsidence that would: (1) cause the creation of hazardous conditions such as potential escarpment failure and landslides, (2) cause damage to existing surface structures, and (3) damage or alter the flow of perennial streams. The lessee shall provide specific measures for the protection of escarpments, and determine corrective measures to assure that hazardous conditions are not created.

10. In order to avoid surface disturbance on steep canyon slopes and to preclude the need for surface access, all surface breakouts for ventilation tunnels shall be constructed from inside the mine, except at specifically approved locations.

11. Support facilities, structures, equipment, and similar developments will be removed from the lease area within 2 years after the final termination of use of such facilities. This provision shall apply unless the requirement of Section 10 of the lease form is applicable. Disturbed areas and those areas previously occupied by such facilities will be stabilized and rehabilitated, drains reestablished, and the areas returned to an authorized post mining land use.
12. The Lessee at the conclusion of the mining operation, or at other times as surface disturbance related to mining may occur, will replace all damaged, disturbed, or displaced corner monuments (section corners, quarter corners, etc.) their accessories and appendages (witness trees, bearing trees, etc.), or restore them to their original condition and location, or at other locations that meet the requirements of the rectangular surveying system. This work shall be conducted at the expense of the Lessee, by BLM to the standards and guidelines found in the Manual of Surveying Instructions, U.S. Department of Interior.

13. Notwithstanding the approval of a resource recovery and protection plan by the BLM, lessor reserves the right to seek damages against the operator/lessee in the event (I) the operator/lessee fails to achieve maximum economic recovery (as defined at 43 CFR §3480.0-5(2)(I)) of the recoverable coal reserves or (ii) the operator/lessee is determined to have caused a wasting of recoverable coal reserves. Damages shall be measured on the basis of the royalty that would have been payable on the wasted or un-recovered coal.

The parties recognize that under an approved R2P2, conditions may require a modification by the operator/lessee of that plan. In the event a coal bed or portion thereof is not to be mined or is rendered unminable by the operation, the operator shall submit appropriate justification to obtain approval by the AO to leave such reserves unmined. Upon approval by the AO, such coal beds or portions thereof shall not be subject to damages as described above. Further, nothing in this section shall prevent the operator/lessee from exercising its right to relinquish all or a portion of the lease as authorized by statute and regulation.

In the event the AO determines that the R2P2 modification will not attain MER resulting from changed conditions, the AO will give proper notice to the operator/lessee as required under applicable regulations. The AO will order a new R2P2 modification if necessary, identifying additional reserves to be mined in order to attain MER. Upon a final administrative or judicial ruling upholding such an ordered modification, any reserves left un-mined (wasted) under that plan will be subject to damages as described in the first paragraph under this section.

Subject to the right to appeal hereinafter set forth, payment of the value of the royalty on such un-mined recoverable coal reserves shall become due and payable upon determination by the AO that the coal reserves have been rendered un-minable or at such time that the lessee has demonstrated an unwillingness to extract the coal.

The BLM may enforce this provision either by issuing a written decision requiring payment of the MMS demand for such royalties, or by issuing a notice of non-compliance. A decision or notice of non-compliance issued by the lessor that payment is due under this stipulation is appealable as allowed by law.

14. WASTE CERTIFICATION: The lessee shall provide upon abandonment and/or sealing off a mined area and prior to lease termination/relinquishment, certification to the lessor that, based upon a complete search of all the operator's records for the mine and upon their knowledge of past operations, there has been no hazardous substances per (40 CFR 302.4) or used oil as per Utah State Management Rule R-315-15, deposited within the lease, either on the surface or underground, or that all remedial action necessary has been taken to protect human health and the environment with respect to any such substances remaining on the property. The back-up documentation to be provided shall be described by the lessor prior to the first certification and shall include all documentation applicable to the Emergency Planning and Community Right-to-know Act (EPCRA, Public Law 99-499), Title III of the Superfund Amendments and Reauthorization Act of 1986 or equivalent.

15. ABANDONMENT OF EQUIPMENT: The lessee/operator is responsible for compliance with reporting regarding toxic and hazardous material and substances under Federal Law and all associated amendments and regulations for the handling such materials on the land surface and in underground mine workings.

The lessee/operator must remove mine equipment and materials not needed for continued operations, roof support and mine safety from underground workings prior to abandonment of mine sections. Exceptions can be approved by the Authorized Officer (BLM) in consultation with the surface management agency. Creation of a situation that would prevent removal of such material and by retreat or abandonment of mine sections without prior authorization would be considered noncompliance with lease terms and conditions and subject to appropriate penalties under the lease.

16. UNDERGROUND INSPECTION: All safe and accessible areas shall be inspected prior to being sealed. The lessee shall notify the Authorized Officer in writing 30 days prior to the sealing of any areas in the mine and state the reason for closure. Prior to closures being put into place, the lessee shall inspect the area and document any equipment/machinery, hazardous substances, and used oil that is to be left underground.
The purpose of this inspection will be: (1) to provide documentation for compliance with 42 U.S.C. 9620 section 120(h) and State Management Rule R-315-15, and to assure that certification will be meaningful at the time of lease relinquishment, (2) to document the inspection with a mine map showing location of equipment/machinery (model, type of fluid, amount remaining, batteries etc.) that is proposed to be left underground. In addition, these items will be photographed at the lessee's expense and shall be submitted to the Authorized Officer as part of the certification. The abandonment of any equipment/machinery shall be on a case by case basis and shall not be accomplished unless the Authorized Officer has granted a written approval.

17. GOB VENT BOREHOLES. The Lessee shall submit a gob vent borehole plan for approval by the AO as part of an R2P2 for all gob vent boreholes. The plugging portion of the plan must meet 43 CFR 3484.1(a)(3) as a minimum. If variations to the approved plugging procedures are necessary, they shall also be approved by the AO in writing prior to implementation of the procedures.

18. FAIR MARKET VALUE BONUS: Due to the uncertainty of the amount of recoverable coal reserves in this modification, the lessee will pay the fair market value (FMV) bonus payment for the coal resources mined in the area of Federal coal lease modification (U07064-027821) Tract 2, at the rate of $0.20 per ton for the actual tonnage mined. Payment of FMV at the specified rate and tonnage mined will be on the schedule required for payment of production royalties to the Minerals Management Service (MMS). The lessee will clearly indicate which portion of the payment is for royalty and what is for the lease bonus payment.

19. FAIR MARKET VALUE BONUS: Due to the uncertainty of the amount of recoverable coal reserves in this modification, the lessee will pay the fair market value (FMV) bonus payment for the coal resources mined in the area of Federal coal lease modification (U07064-027821) Tract 3, at the rate of $0.35 per ton for the actual tonnage mined, adjusted annually using the U.S. Bureau of Labor Statistics CPI West Urban Energy Index; or if that index is not available an index that is mutually agreed to by the lessee and the authorized officer will be used. Payment of FMV at the specified rate and tonnage mined will be on the schedule required for payment of production royalties to the Minerals Management Service (MMS). The lessee will clearly indicate which portion of the payment is for royalty and what is for the lease bonus payment.
Coal Lease Partial Relinquishment Accepted

On June 14, 2011, a partial relinquishment of the above noted federal coal lease was filed in the office by Canyon Fuel Company, LLC. This application was amended on February 23, 2012.

A determination has been made that the partial relinquishment of this lease is approved as of the date of filing. The relinquished lands are subject to the continued obligation of the lessee to make payment of all accrued rentals and royalties and to complete the reclamation of the relinquished lands.

The relinquished and retained lands are described as follows:

Coal lease UTU-07064-027821:

Relinquished Lands
T. 13 S., R. 13 E., SLM, Utah
Sec. 17, S½N¼, N½SE¼, SE¼SE¼;  
Sec. 18, S½NE¼, SE¼NW¼;  
Sec. 21, NW½NW¼.  

Containing 440.00 acres

Retained Lands
Tract 1:
T. 13 S., R. 12 E., SLM, Utah  
Sec. 13, S½;  
Sec. 23, E½E½, NE½SW¼, W½SE¼;  
Sec. 24, all;  
Sec. 25, N½N½;  
Sec. 26, N½NE¼;  

T. 13 S., R. 13 E., SLM, Utah  
Sec. 18, lots 3 and 4, E½SW¼, SE¼;  
Sec. 19, lots 1-4, E½W½, NE¼, NW½SE¼;  
Sec. 30, lot 1.

Tract 2:  
T. 13 S., R. 13 E., SLM, Utah  
Sec. 18, lot 2;
Tract 3:
T. 13 S., R. 12 E., SLM, Utah
Sec. 23, E½SE½SW½;
Sec. 25, N½SW¼NW¼;
Sec. 26, NE½SE½NE½.

Tract 4:
T. 13 S., R. 12 E., SLM, Utah
Sec. 13, N½;
T. 13 S., R. 13 E., SLM, Utah
Sec. 18, lot 1;

Containing 2,881.15 acres

This decision may be appealed to the Interior Board of Land Appeals, Office of the Secretary, in accordance with the regulations contained in 43 CFR, Part 4, and the enclosed Form 1842-1. If an appeal is taken, your notice of appeal must be filed in this office (at the above address) within 30 days after receipt of this decision. The appellant has the burden of showing that the decision appealed from is in error.

Within thirty (30) days, Canyon Fuel Company, LLC must provide a map with the lease holdings, as modified, with an accounting of the recoverable tonnage.

If you wish to file a petition (pursuant to regulation 43 CFR 4.21)(58 FR 4939, January 19, 1993)(request) for a stay (suspension) of the effectiveness of this decision during the time that your appeal is being reviewed by the Board, the petition for a stay must accompany your notice of appeal. A petition for a stay is required to show sufficient justification based on the standards listed below. Copies of the notice of appeal and petition for a stay must also be submitted to each party named in this decision and to the Interior Board of Land Appeals and to the appropriate Office of the Solicitor (see 43 CFR 4.413) at the same time the original documents are filed in this office. If you request a stay, you have the burden of proof to demonstrate that a stay should be granted.

Standards for Obtaining a Stay

Except as otherwise provided by law or other pertinent regulation, a petition for a stay of a decision pending appeal shall show sufficient justification based on the following standards:

(1) The relative harm to the parties if the stay is granted or denied,
(2) The likelihood of the appellant’s success on the merits,
(3) The likelihood of immediate and irreparable harm if the stay is not granted, and
(4) Whether the public interest favors granting the stay.

If you have further questions call Bill Buge at (801) 539-4086.

Juan Palma
State Director

Enclosure
Form 1842-1

INCORPORATED
JUL 28 20
Div. of Oil, Gas & Mining
cc: Resource Development Coordinating Committee, ATTN: Mineral Leasing Taskforce, 116 State Capital Building, Salt Lake City, Utah 84114

ONRR, ACM, Solid Minerals Staff, Attn: LeeAnn Martin, MS62300B, Box 25165, Denver, CO 80225-0165

Price Field Office (Attn: Steve Falk)

Mr. John Baza, Director, UDOGM, Box 145801, Salt Lake City, Utah 84114-5801
DO NOT APPEAL UNLESS
1. This decision is adverse to you, AND
2. You believe it is incorrect

IF YOU APPEAL, THE FOLLOWING PROCEDURES MUST BE FOLLOWED

1. NOTICE OF APPEAL
   A person who wishes to appeal to the Interior Board of Land Appeals must file in the office of the officer who made the decision (not the Interior Board of Land Appeals) a notice that he wishes to appeal. A person served with the decision being appealed must transmit the Notice of Appeal in time for it to be filed in the office where it is required to be filed within 30 days after the date of service. If a decision is published in the FEDERAL REGISTER, a person not served with the decision must transmit a Notice of Appeal in time for it to be filed within 30 days after the date of publication (43 CFR 4.411 and 4.413).

2. WHERE TO FILE
   NOTICE OF APPEAL
   Bureau of Land Management, Utah State Office, P. O. Box 45155, Salt Lake City, Utah 84145-0151 or Bureau of Land Management, Utah State Office, 440 West 200 South, Suite 500, Salt Lake City, Utah 84101
   WITH COPY TO
   Regional Solicitor, Room 6201, 125 South State Street, Salt Lake City, Utah 84111

3. STATEMENT OF REASONS
   Within 30 days after filing the Notice of Appeal, file a complete statement of the reasons why you are appealing. This must be filed with the United States Department of the Interior, Office of Hearings and Appeals, Interior Board of Land Appeals, 801 N. Quincy Street, MS 300-QC, Arlington, Virginia 22203. If you fully stated your reasons for appealing when filing the Notice of Appeal, no additional statement is necessary (43 CFR 4.412 and 4.413).
   WITH COPY TO
   Regional Solicitor, Room 6201, 125 South State Street, Salt Lake City, Utah 84111

4. ADVERSE PARTIES
   Within 15 days after each document is filed, each adverse party named in the decision and the Regional Solicitor or Field Solicitor having jurisdiction over the State in which the appeal arose must be served with a copy of: (a) the Notice of Appeal, (b) the Statement of Reasons, and (c) any other documents filed (43 CFR 4.413).

5. PROOF OF SERVICE
   Within 15 days after any document is served on an adverse party, file proof of that service with the United States Department of the Interior, Office of Hearings and Appeals, Interior Board of Land Appeals, 801 N. Quincy Street, MS 300-QC, Arlington, Virginia 22203. This may consist of a certified or registered mail "Return Receipt Card" signed by the adverse party (43 CFR 4.401(c)).

6. REQUEST FOR STAY
   Except where program-specific regulations place this decision in full force and effect or provide for an automatic stay, the decision becomes effective upon the expiration of the time allowed for filing an appeal unless a petition for a stay is timely filed together with a Notice of Appeal (43 CFR 4.21). If you wish to file a petition for a stay of the effectiveness of this decision during the time that your appeal is being reviewed by the Interior Board of Land Appeals, the petition for a stay must accompany your Notice of Appeal (43 CFR 4.21 or 43 CFR 2801.10 or 43 CFR 2881.10). A petition for a stay is required to show sufficient justification based on the standards listed below. Copies of the Notice of Appeal and Petition for a Stay must also be submitted to each party named in this decision and to the Interior Board of Land Appeals and to the appropriate Office of the Solicitor (43 CFR 4.413) at the same time the original documents are filed with this office. If you request a stay, you have the burden of proof to demonstrate that a stay should be granted.

Standards for Obtaining a Stay. Except as otherwise provided by law or other pertinent regulations, a petition for a stay of a decision pending appeal shall show sufficient justification based on the following standards: (1) the relative harm to the parties if the stay is granted or denied, (2) the likelihood of the appellant's success on the merits, (3) the likelihood of immediate and irreparable harm if the stay is not granted, and (4) whether the public interest favors granting the stay.

Unless these procedures are followed, your appeal will be subject to dismissal (43 CFR 4.402). Be certain that all communications are identified by serial number of the case being appealed.

NOTE: A document is not filed until it is actually received in the proper office (43 CFR 4.401(a)). See 43 CFR Part 4, Subpart B for general rules relating to procedures and practice involving appeals.

(Continued on page 2)
Sec. 1821.10 Where are BLM offices located? (a) In addition to the Headquarters Office in Washington, D.C. and seven national level support and service centers, BLM operates 12 State Offices each having several subsidiary offices called Field Offices. The addresses of the State Offices can be found in the most recent edition of 43 CFR 1821.10. The State Office geographical areas of jurisdiction are as follows:

**STATE OFFICES AND AREAS OF JURISDICTION:**

Alaska State Office ———— Alaska  
Arizona State Office ———— Arizona  
California State Office ———— California  
Colorado State Office ———— Colorado  
Eastern States Office ———— Arkansas, Iowa, Louisiana, Minnesota, Missouri  
and all States east of the Mississippi River  
Idaho State Office ———— Idaho  
Montana State Office ———— Montana, North Dakota and South Dakota  
Nevada State Office ———— Nevada  
New Mexico State Office ———— New Mexico, Kansas, Oklahoma and Texas  
Oregon State Office ———— Oregon and Washington  
Utah State Office ———— Utah  
Wyoming State Office ———— Wyoming and Nebraska  

(b) A list of the names, addresses, and geographical areas of jurisdiction of all Field Offices of the Bureau of Land Management can be obtained at the above addresses or any office of the Bureau of Land Management, including the Washington Office, Bureau of Land Management, 1849 C Street, NW, Washington, DC 20240.

(Form 1842-1, September 2006)
APPENDIX 1-2

Insurance and Proof of Publication
APPENDIX 1-2

Insurance Certificates
STATE OF UTAH

County of Carbon)

I, Kevin Ashby, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State and County aforesaid, and that a certain notice, a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and that the first publication was on the 30th day of October, 1997 and that the last publication of such notice was in the issue of such newspaper dated the 20th day of November, 1997.

Kevin Ashby - Publisher

Subscribed and sworn to before me this 20th day of November, 1997.

Linda Idayn

Notary Public My commission expires January 10, 1999 Residing at Price, Utah

Publication fee, $349.20
AFFIDAVIT OF PUBLICATION

STATE OF UTAH

County of Carbon,)

I, Kevin Ashby, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State and County aforesaid, and that a certain notice, a true copy of which is hereto attached, was published in the full issue of such newspaper for 1 (One) consecutive issues, and that the first publication was on the 19th day of November, 1996 and that the last publication of such notice was in the issue of such newspaper dated the 19th day of November, 1996.

Kevin Ashby - Publisher

Subscribed and sworn to before me this 19th day of November, 1996.

Linda Thayn
Notary Public My commission expires January 10, 1999 Residing at Price, Utah

Publication fee, $85.65

PUBLIC NOTICE
Application for Permit Transfer
Canyon Fuel Company, LLC
Soldier Canyon Mine

Notice is hereby given that Canyon Fuel Company, LLC, 555 Seventeenth Street, Denver, Colorado 80202, on or about November 19, 1996, submitted an Application for Permit Transfer for Permit No. ACT/007/018, covering operations for the Soldier Canyon Mine, to the State of Utah, Department of Natural Resources, Division of Oil, Gas, and Mining. The current permittee Soldier Creek Coal Company, PO Box 1, Price, Utah 84501 will be merged into Canyon Fuel Company, LLC on or about December 20, 1996. In conjunction with the anticipated merger and change in the name of the owner of the mining operations, the Canyon Fuel Company, LLC filed the Application for Permit Transfer for the Soldier Canyon Mine permit in advance of closing to obtain approval for the transfer from the Division of Oil, Gas, and Mining.

Approval by the Division of Oil, Gas, and Mining will allow coal mining operations to continue in the permit area. The lands involving mining activities are located in Carbon County. The mine portals are located 12 miles northeast of Wellington, Utah in Soldier Canyon. The approximately 4,502.65 acres leasehold associate with the five-year plan involves all or part of the following coal lands:

LEGAL DESCRIPTION
The coal leases to be mined include State Leases ML-42648 and ML-42649 described as follows:
Lease ML-42648
Township 13 S., Range 12 E., Salt Lake Base and Meridian
Section 6: E 1/2
Section 7: S 1/2
Section 8: N 1/2
Section 9: S 1/2
Section 10: NE 1/4, E 1/2 SW 1/4, SE 1/4
Section 11: SW 1/4 NW 1/4, SW 1/4 NW 1/4, N 1/2 NE 1/4
Section 12: N 1/2, NW 1/4, NE 1/4
Section 13: N 1/2, N 1/2 S 1/2
Section 14: W 1/2 SW 1/4
Containing 3,540 acres

Lease ML-42649
Township 13 S., Range 12 E., Salt Lake Base and Meridian
Section 3: Lots 1, 2, 3, 4, S 1/2
Section 4: Lots 1, 2, 3, 4, S 1/2
Section 5: Lots 1, 2, SE 1/4
Section 6: N 1/2, S 1/2
Section 7: N 1/2, S 1/2
Section 8: N 1/2, S 1/2
Section 9: All
Containing 2,212 acres

All of Lease ML-42648 and the S 1/2 SE 1/4 of Section 9 of Lease ML-42649 will be permitted.

Copies of the complete application for transfer are available for public inspection at the Carbon County Clerk's Office, Carbon County Court House, 120 Main Street, Price, Utah 84501 and at the Utah Division of Oil, Gas, and Mining offices at 1594 West North Temple, Suite 1210, Salt Lake City, Utah 82114-5801.

Written comments, objections, and requests for informal conferences regarding the Application for Permit Transfer must be submitted, within 30 days of the date of the publication of this notice, to the Utah Division of Oil, Gas, and Mining, 1594 West North Temple, Suite 1210, Box 156801, Salt Lake City, Utah 84114-5801.

Published in the Sun Advocate November 19, 1996.
AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.

County of Carbon,

I, Kevin Ashby, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State and County aforesaid, and that a certain notice, a true copy of which is hereto attached, was published in the full issue of such newspaper for 8 (Eight) consecutive issues, and that the first publication was on the 4th day of June, 1998 and that the last publication of such notice was in the issue of such paper dated the 30th day of June, 1998.

Kevin Ashby - Publisher

Subscribed and sworn to before me this 30th day of June, 1998.

Linda May

Notary Public My commission expires January 10, 1999 Residing at Price, Utah

Publication fee, $1104.00

PUBLIC NOTICE

Canyon Fuel Company, LLC has filed a significant revision to the Dugout Canyon Mine approved Mining Reclamation Plan No. ACT / 007 / 039 with the State of Utah, Department of Natural Resources, Division of Oil, Gas and Mining. The revision includes expanding the currently approved disturbed area of the Dugout Canyon Mine from 10.4 acres to 22.1 acres. This acreage includes two acres for the storage of topsoil recovered during initial construction activities. The Dugout Canyon Mine will be located in Dugout Canyon approximately 13 miles northeast of Wellington, Utah. The Dugout Canyon Mine will be accessed from a county road that connects to the Nine Mile Road approximately 4 miles north of Wellington, Utah.

A portion of the mine facility and topsoil storage area would be located within 100 feet of the Carbon County public road. There are no plans to relocate or close the public road. The mine facilities will not interfere with public use of the county road.

At the conclusion of all mining activities, all surface facilities will be removed and the area regraded to approximate original contour. The disturbed area will be revegetated to promote successful growth as per the approved reclamation plan. The postmining use of the land will return to its current use as wildlife habitat, livestock grazing and recreational activities.

Legal Description

Lease ML 42648 (3640 acres) Approved
T 13 S R 12 E SLBM, Utah
Section 3: Lots 1,2,3,4, S 1/2 (all)
Section 4: Lots 1,2,3,4, S 1/2 (all)
Section 5: Lots 1,2, SE 1/4
Section 9: All
Section 10: N 1/2
Section 11: N 1/2

Fee land owned by Canyon Fuel Company, (800 acres) as described below:

T. 13 S, R 12 E, SLBM, Utah
Section 16: All
Section 23: E 1/2 NW1/4; W 1/2 NE 1/4

Bureau of Land Management, Right-of-Way (10 acres), approval pending:
T. 13 S, R12 E, SLBM, Utah
Section 23: NE1/4 NW1/4 NW1/4 SW1/4; N1/2 NE1/4 NW1/4 SW1/4; SE1/4 NW1/4 NW1/4 SW1/4

Topsoil Storage Area - (2 acres)
T. 14 S, R12 E, SLBM, Utah
Section 8: W1/2 NW1/4 NE1/4

The name and business address of the applicant is:
Canyon Fuel Company, LLC-Soldier Canyon Mine
6995 South Union Park Center, Suite 540
Midvale, Utah 84047
Phone: (801) 569-4700

After filing, copies of the permit application will be available for inspection at the following locations:
Utah Division of Oil, Gas and Mining, 1594 West Temple, Suite 1210, Salt Lake City, Utah,
and Carbon County Recorder's Office, Carbon County Courthouse, Price, Utah.

Written comments, objections or requests regarding this mining permit application must be made within 30 days of the last publication of this notice, and may be addressed to the Utah Division of Oil, Gas and Mining, Box 145801, Salt Lake City, Utah 84114-5801.

Proof of Publication for Expansion of Dugout Canyon Mine into Federal Lease U070764-027821
AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.

County of Carbon,)

I, Kevin Ashby, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State and County aforesaid, and that a certain notice, a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and that the first publication was on the 7th day of October, 1999 and that the last publication of such notice was in the issue of such newspaper dated the 28th day of October, 1999.

Kevin Ashby - Publisher

Subscribed and sworn to before me this 28th day of October 1999.

Linda Thayn
Notary Public  My commission expries January 10, 2003 Residing at Price, Utah

Publication fee, $ 386.40

LINDA THAYN
NOTARY PUBLIC - STATE OF UTAH
845 EAST MAIN
PRICE, UTAH 84501
COMM EXP 1-10-2003

PUBLIC NOTICE
APPLICATION FOR SIGNIFICANT REVISION TO MINING PERMIT

DUGOUT CANYON MINE

Canyon Fuel Company, LLC hereby announces its Dugout Canyon Mine's intent to increase its permit area to include Federal Coal Lease U-07064-027821 - (2,416.14 acres, Approved 1 January 1957) to its mining permit. A significant revision to the existing Dugout Canyon Mine Mining and Reclamation Plan to include this Federal coal lease and additional surface acreage has been submitted to the Division of Oil, Gas and Mining. The Federal lease and surface acreage are located in the Dugout Canyon and Pace Canyon drainages. The coal within the Federal lease will be accessed through existing Dugout Canyon Mine surface facilities. No new surface disturbances are planned outside currently permitted disturbed areas.

The legal description of proposed additional permit area, which includes the 2,416.14 acres of Federal Coal Lease U-07064-027821, is as follows:

T. 13 S., R. 12 E., SLBM, Utah
Section 13: All except N1/2N1/2
Section 23: E1/2E1/2, W1/2SE1/4, NE1/4SW1/4
Section 24: All
Section 25: N1/2N1/2
Section 26: N1/2NE1/4

T. 13 S., R. 13 E., SLBM, Utah
Section 17 SW1/4NW1/4; W1/2SW1/4
Section 18: lots 2, 3, 4, E1/2SW1/4; SE1/4NW1/4; S1/2NE1/4; SE1/4
Section 19: All
Section 20 W1/2W1/2
Section 30 Lot 1

The name and business address of the applicant is:

Canyon Fuel Company, LLC - Dugout Canyon Mine
6955 South Union Park Center, Suite 540
Midvale, Utah 84047 Phone: (801)569-4700

After filing, copies of the permit application will be available for inspection at the following locations: Utah Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, Salt Lake City, Utah, and the Carbon County Recorder's Office, Carbon County Courthouse, Price, Utah.

Written comments, objections or requests regarding this mining permit revision must be made within 30 days of the last publication of this notice and may be addressed to the Utah Division of Oil, Gas and Mining, Box 145801, Salt Lake City, Utah 84114-5801.

Published in the Sun Advocate October 7, 14, 21 and 28, 1999.
STATE OF UTAH)

ss.

County of Carbon,)

I, Kevin Ashby, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State, and that a true copy of which is hereto attached, was published in the full issue of such newspaper for 2 (Two) consecutive issues, and that the first publication was on the 22nd day of May, 2001, and that the last publication of such notice was in the issue of such newspaper dated the 24th day of May, 2001.

Kevin Ashby - Publisher

Subscribed and sworn to before me this 24th day of May, 2001.

Linda Thayn

Notary Public My commission expires January 10, 2003 Residing at Price, Utah

Publication fee, $136.98
AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

County of Carbon,)

I, Ken Larson, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and that the first publication was on the 20th day of August, 2002, and that the last publication of such notice was in the issue of such newspaper dated the 10th day of September, 2002.

Ken G Larson - Publisher

Subscribed and sworn to before me this 10th day of September, 2002.

Notary Public My commission expires January 10, 2003 Residing at Price, Utah

Publication fee, $ 470.40

LEGAL NOTICE

Canyon Fuel Company, LLC, of Salt Lake City, Utah, hereby announces its intention to construct and operate a wasterock storage facility. The facility will be constructed on a previously disturbed gravel pit.

Canyon Fuel Company, LLC, operates the Dugout Canyon Mine which is located thirteen (13) miles northeast of Wellington, Utah, in Dugout Canyon within the west half of Section 23, Township 13 South, Range 12 East, Salt Lake Base Meridian. The currently approved Dugout Canyon Mine mining permit number is 50017093.

The road accessing the storage facility will be within 100 feet of the Carbon County's Dugout Canyon Road. Use of the Carbon County's Dugout Canyon Road to access the wasterock storage facility will not require the county road to be relocated or closed. The wasterock facility will not be mined, therefore there will be no mining or storage within 100 feet of the outside right-of-way line of the county road.

The wasterock storage facility is located approximately 6.5 miles southwest of the Dugout Canyon Mine in portions of the NE1/4, SW 1/4 and SE 1/4 of the NE 1/4, in a portion of the NW 1/4 of the SE1/4, and in the NW1/4 of the NE 1/4 of Section 18, Township 14 South, Range 12 East, Salt Lake Base Meridian. The addition of this area will increase the permit area and disturbed area for the Dugout Canyon Mine by 15.6 acres.

Dugout Canyon Mine plans to store wasterock materials from the mine at this site. In addition, the mine intends to store supplies associated with the mining operations at the site. A plan has been submitted to the Division of Oil, Gas and Mining for approval.

A copy of the permit will be available for inspection at the following locations:

Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114

Carbon County Courthouse
120 East Main Street
Price, Utah 84501

The address of the applicant is: Canyon Fuel Company, LLC
6855 South Union Park Center, Suite 540
Midvale, Utah 84047
Phone: (801) 589-4700

Written comments or request for a hearing regarding this application must be submitted within 30 days of the last publication date of this notice, to the Utah Division of Oil, Gas and Mining, Attention Coal Regulatory Program, 1594 West North Temple, Suite 1210, Salt Lake City, Utah 84114-5801.

Published in the Sun Advocate August 20, 27, September 3 and 10, 2002.
A SECOND LEGAL NOTICE IS BEING PUBLISHED THROUGH DECEMBER 2002 AND INTO THE FIRST WEEK OF JANUARY 2003. THE AFIDAVIT OF PUBLICATION WILL BE INCLUDED IN THIS APPENDIX WHEN IT IS RECEIVED.
LEGAL NOTICE

Canyon Fuel Company, LLC, of Salt Lake City, Utah, hereby announces its intention to construct and operate a wastestore storage facility. The facility will be constructed on a previously disturbed gravel pit.

Canyon Fuel Company, LLC, operates the Dugout Canyon Mine which is located thirteen (13) miles northeast of Wellington, Utah, in Dugout Canyon within the west half of Section 23, Township 13 South, Range 12 East, Salt Lake Base Meridian. The currently approved Dugout Canyon Mine mining permit number is C007/039.

The wastestore storage facility is located approximately 6.5 miles southwest of the Dugout Canyon Mine in portions of the NE1/4, SW 1/4 and SE 1/4 of the NE 1/4; in a portion of the NW 1/4 of the SW1/4, and in the NW1/4 of the NE 1/4 of Section 18, Township 14 South, Range 12 East, Salt Lake Base Meridian. The addition of this area will increase the permit area for the Dugout Canyon Mine by 26.8 acres.

A copy of the permit is available for inspection at the following locations: Utah Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, Salt Lake City, Utah 84114 and Carbon County Courthouse, 120 East Main Street, Price, Utah 84501.

The address of the applicant is:
Canyon Fuel Company, LLC, 6855 South Union Park Center, Suite 540, Midvale, Utah 84047

Written comments or request for a hearing regarding this application must be submitted within 30 days of the last publication date of this notice, to the Utah Division of Oil, Gas and Mining, Attention Coal Regulatory Program, 1594 West North Temple, Suite 1210, Salt Lake City, Utah 84114-5901.

Published in the Sun Advocate December 19 and 26, 2002, January 2 and 9, 2003.

INCORPORATED
MAR 03 2003
DIV OF OIL GAS & MINING
AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.
County of Carbon,)

I, Ken Larson, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and that the first publication was on the 19th day of December, 2002, and that the last publication of such notice was in the issue of such newspaper dated the 9th day of January, 2003.

Ken Larson - Publisher

Subscribed and sworn to before me this 9th day of January, 2003.

Notary Public

Publication fee, $595.84
AFFIDAVIT OF PUBLICATION

STATE OF UTAH

County of Carbon,

I, Ken Larson, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and the first publication was on the 15th of June, 2004, and that the last publication of such notice was in the issue of such newspaper dated the 6th day of July, 2004.

Ken G Larson - Publisher

Subscribed and sworn to before me this 6th day of July, 2004.

Linda Thayn
Notary Public My commission expires January 10, 2007 Residing at Price, Utah

Publication fee, $599.04
AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

County of Carbon,

I, Richard Shaw, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State of Utah a true copy of which is hereto attached, was published in the full issue of such newspaper for 5 (Five) consecutive issues, and on the Utah legals.com website, the first publication was on the 1st day of November, 2012, and that the last publication of such notice was in the issue of such newspaper dated the 29th day of November 2012.

Richard Shaw - Publisher

Notary Public

Subscribed and sworn to before me this 29th day of November, 2012.

Linda Thayn

Publication fee, $ 1050.00
Certificate of Liability Insurance
Issued To:
State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
--0000oo--

THIS IS TO CERTIFY THAT:

J&H Marsh & McLennan

HAS ISSUED TO:

Canyon Fuel Company, LLC
Dugout Canyon Mine, Permit Number- PRO/007/039

CERTIFICATE OF INSURANCE:

ISL G1 423156
Number)  January 1, 1996
(Policy Effective Date)

UNDER THE FOLLOWING TERMS AND CONDITIONS:

Per R645-301-890 Terms and Conditions for Liability Insurance:

A. The DIVISION shall require the PERMITTEE to submit as part of its Permit a certificate issued by an insurance company authorized to do business in the State of Utah certifying that the applicant has a public Liability Insurance policy in force for the surface coal mining and reclamation operations for which the Permit is sought. Such policy shall provide for personal injury and property damage protection in an amount adequate to compensate any persons injured or property damage as a result of the surface coal mining and reclamation operations, including the use of explosives, and who are entitled to compensation under the applicable provisions of state law. Minimum insurance coverage for bodily injury and property damage shall be $300,000 for each occurrence and $500,000 aggregate.

B. The policy of Liability Insurance shall be maintained in full force during the life of the Permit or any renewal thereof, including the liability period necessary to complete all reclamation operations under this chapter.

C. The policy shall include a rider requiring that the insurer notify the Division whenever substantive changes are made in the policy including any termination or failure to renew.
IN ACCORDANCE WITH THE ABOVE TERMS AND CONDITIONS, and the Utah Code Annotated 40-10-1 et. seq., the Insurance Company hereby attests to the fact that coverage for said Permit Application is in accordance with the requirements of the State of Utah and agrees to notify the Division of Oil, Gas and Mining in writing of any substantive change, including cancellation, failure to renew, or other material change. No change shall be effective until at least (30) days after such notice is received by the Division. Any change unauthorized by the Division is considered a breach of the RECLAMATION AGREEMENT and the Division may pursue remedies thereunder.

UNDERWRITING AGENT:

(Agents Name)

J&H Marsh & McLennan
(Company Name)

777 South Figueroa St.
(Mailing Address)

(213) 346-5129
(Phone)

Los Angeles, CA 90017
(City, State, Zip Code)

The undersigned affirms that the above information is true and complete to the best of his/her knowledge and belief, and that he/she is an authorized representative of the above-named insurance company. (An Affidavit of Qualification must be completed and attached to this form for each authorized agent or officer).

Refer to attached Certificate of Insurance on ACORD format dated March 18, 1998.

(Date, Signature and Title of Authorized Agent of Insurance Company)

Signed and sworn to before me by

this_____ day of ________________, 1998.

(Signature)

My Commission Expires: ____________________________
(Date)
**CERTIFICATE OF INSURANCE**

**ISSUING COMPANY:**
Marsh & McLennan
777 S Figueroa St
Los Angeles, CA 90017

**INSURED:**
Atlantic Richfield Company, Its Subsidiaries and Subsidiaries Thereof As Now or Hereinafter Constituted
515 South Flower Street
Los Angeles, California 90071

**CERTIFICATE NUMBER:**
0659A-GL1M

**COMMERCE REFERENCE:**
JAM-251 (4/98)

---

**COVERAGE:**
This certificate is issued as a matter of information only and confers no rights upon the certificate holder. This certificate does not amend, extend or alter the coverage afforded by the policies below.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>TYPE OF INSURANCE</th>
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<tbody>
<tr>
<td>A</td>
<td>General Liability</td>
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<td>B</td>
<td>Excess Liability</td>
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<td>C</td>
<td>Automobile Liability</td>
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<tr>
<td>D</td>
<td>Workers Compensation and Employers' Liability</td>
</tr>
</tbody>
</table>

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**POLICY NUMBER:**
ISL G1 423155-0

**POLICY EFFECTIVE DATE:**
01-01-98

**POLICY EXPIRATION DATE:**
01-01-98

**LIMITS:**
- **Bodily Injury Occurrence:** $1,000,000
- **Bodily Injury Agg:** $1,000,000
- **Property Damage Occurrence:** $1,000,000
- **Property Damage Agg:** $1,000,000

---

**DESCRIPTION OF OPERATIONS/ACTIVITIES/VEHICLES/SPECIAL ITEMS (LIMITS MAY HAVE BEEN REDUCED BY PAID CLAIMS AND MAY HAVE BEEN MODIFIED OR EXCLUDED):**
*Products/Completed Operations. Insured includes Canyon Fuel Company, LLC (Dugout Canyon Mine).*

**PERMIT NO.:** PRO/001/039

---

**CANCELLATION:**
Should any of the above described policies be cancelled before the expiration date thereof, the issuing company will give 30 days written notice to the certificate holder named to the left.

Authorized Representative: Mary Ann Wright

---

**CANCELLATION:**

**DATE:** 03/18/98

---

**CERTIFICATE HOLDER:**
Utah Department of Natural Resources
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
P.O. Box 145901
Salt Lake City, Utah 84114-5801
Attention: Mary Ann Wright
**MARSH USA INC. CERTIFICATE OF INSURANCE**

**PRODUCER**
Marsh USA Inc.
800 Market Street, Suite 2600
St. Louis, MO 63101-2500

**INSURED**
Canyon Fuel Company, LLC
6955 Union Park Center
Suite 540
Midvale, UT 84047

**COMAPNIES AFFORDING COVERAGE**

| COMPANY A | FEDERAL INSURANCE CO |
| COMPANY B | |
| COMPANY C | |
| COMPANY D | |

**COVERAGES**

This certificate supersedes and replaces any previously issued certificate for the policy period noted below. This certificate is issued as a matter of information only and contains no rights upon the certificate holder other than those provided in the policy. This certificate does not amend, extend or alter the coverage afforded by the policies described herein.

**DESCRIPTION OF OPERATIONS/LOCATION/VEHICLES/SPECIAL ITEMS (LIMITS MAY BE SUBJECT TO DEDUCTIBLES OR RETENTIONS)**

Permit Dug Out Canyon Mine ACT/007/039

**INTEGRATED MINING**

**SIGNATURE**

Alfred A. Pateresio

**MARSH USA INC.**

800 Market Street, Suite 2600
St. Louis, MO 63101-2500

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<tr>
<th>CO LTR</th>
<th>TYPE OF INSURANCE</th>
<th>POLICY NUMBER</th>
<th>POLICY EFFECTIVE DATE (MM/DD/YYYY)</th>
<th>POLICY EXPIRATION DATE (MM/DD/YYYY)</th>
<th>LIMITS</th>
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<td>A</td>
<td>GENERAL LIABILITY</td>
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<td>07/31/02</td>
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<td>GENERAL AGGREGATE</td>
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<td>CLAIMS MADE</td>
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<td>PRODUCTS - COMP/PROP AGG</td>
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<td>AUTOMOBILE LIABILITY</td>
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<td>FIRE DAMAGE (Any one fire)</td>
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<td>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</td>
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**INTEGRATED MINING**

**SIGNATURE**

Alfred A. Pateresio

**MARSH USA INC.**

800 Market Street, Suite 2600
St. Louis, MO 63101-2500
**MARSH**

**CERTIFICATE OF INSURANCE**

**CREDIT NUMBER**

CHL:0063339513-04

---

**PRODUCER**

Marsh USA Inc.
800 Market Street, Suite 2600
St. Louis, MO 63101-2500

---

**INSURED**

Canyon Fuel Company, LLC
6955 Union Park Center
Suite 540
Midvale, UT 84047

---

**COVERAGES**

This certificate supersedes and replaces any previously issued certificate for the policy period noted below. This is to certify that policies of insurance described herein have been issued to the insured named herein for the policy period indicated. Notwithstanding any requirement, term or condition of any contract or other document with respect to which the certificate may be issued or may pertain, the insurance afforded by the policies described herein is subject to all the terms, conditions and exclusions of such policies. Aggregate limits shown may have been reduced by paid claims.

<table>
<thead>
<tr>
<th>CO LTR</th>
<th>TYPE OF INSURANCE</th>
<th>POLICY NUMBER</th>
<th>POLICY EFFECTIVE DATE (MM/DD/YY)</th>
<th>POLICY EXPIRATION DATE (MM/DD/YY)</th>
<th>LIMITS</th>
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</thead>
<tbody>
<tr>
<td>A</td>
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<td>3711-00-10</td>
<td>07/31/03</td>
<td>07/31/04</td>
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<td></td>
<td><strong>COMMERCIAL GENERAL LIABILITY</strong></td>
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<td><strong>MED EXP (Any one person)</strong></td>
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**LIMITS**

- GENERAL AGGREGATE: $500,000
- PRODUCTS - COMPOP AGG: $500,000
- PERSONAL & ADV INJURY: $300,000
- EACH OCCURRENCE: $300,000
- FIRE DAMAGE (Any one fire): $50,000
- MED EXP (Any one person): $5,000
- COMBINED SINGLE LIMIT: $500,000
- BODILY INJURY (Per person): $500,000
- BODILY INJURY (Per accident): $500,000
- PROPERTY DAMAGE: $500,000
- AUTO ONLY - EA ACCIDENT: $500,000
- OTHER THAN AUTO ONLY: $500,000
- EACH ACCIDENT: $500,000
- AGGREGATE: $500,000
- EACH OCCURRENCE: $500,000
- AGGREGATE: $500,000
- EL EACH ACCIDENT: $500,000
- EL DISEASE-POLICY LIMIT: $500,000
- EL DISEASE-EACH EMPLOYEE: $500,000

**DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS**

Permit Dug Out Canyon Mine ACT/007/039

**CERTIFICATE HOLDER**

Utah Dept. Of Natural Resources
Division of Oil, Gas and Mining
1954 W. North Temple
Suite 1210
Salt Lake City, UT 84114-5801

**CANCELLATION**

Should any of the policies described herein be cancelled before the expiration date thereof, the insurer affording coverage will make a 60 day written notice to the certificate holder named herein. **0063339513**

**MARSH USA INC.**

mmT/03/23

**INCOPCRATED**

**OCT 04 2004**

**DIV OF OIL, GAS & MINING**
**CERTIFICATE OF INSURANCE**

**CERTIFICATE NUMBER**
CHI-000333513-08

**COMPANIES AFFORDING COVERAGE**

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>A</th>
<th>B</th>
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<tbody>
<tr>
<td>FEDERAL INSURANCE CO</td>
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</table>

**COVERAGES**

This certificate supersedes and replaces any previously issued certificate for the policy period noted below.

This is to certify that policies of insurance described herein have been issued to the insured named herein for the policy period indicated. Notwithstanding any requirement, term or condition of any contract or other document with respect to which the certificate may be issued or may pertain, the insurance afforded by the policies described herein is subject to all the terms, conditions and exclusions of such policies. Aggregate limits shown may have been reduced by paid claims.

<table>
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<tr>
<th>CODE</th>
<th>TYPE OF INSURANCE</th>
<th>POLICY NUMBER</th>
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<td>A</td>
<td>GENERAL LIABILITY</td>
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<td>07/31/04</td>
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<td>COMMERCIAL GENERAL LIABILITY</td>
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<td><strong>$500,00 general aggregate per location</strong></td>
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<td>CLAIMS MADE</td>
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</table>

**DESCRIPTION OF OPERATIONS/Locations/VEHICLES/SPECIAL ITEMS**

Permit Dug Out Canyon Mine ACT/007/039

**CERTIFICATE HOLDER**

Utah Dept. Of Natural Resources
Division of Oil, Gas and Mining
1594 W. North Temple
Suite 1210
Salt Lake City, UT 84114-5801

**CANCELATION**

Should any of the policies described herein be cancelled before the expiration date thereof, the insurer affording coverage will send a written notice to the certificate holder named herein, 60 days prior to the cancellation date. The notice may be mailed to the address shown above.

**INCO COP**

Valid as of: 07/20/04

**DATE**

Oct 04 2004

**DIV OF OIL GAS & MINING**
LEGAL NOTICE

Canyon Fuel Company, LLC, of Salt Lake City, Utah, has submitted to the Utah Division of Oil, Gas and Mining, a complete application for adding the SITLA lease to the existing mining and reclamation permitted area.

Canyon Fuel Company, LLC, operates the Dugout Canyon Mine which is located thirteen (13) miles northeast of Wellington, Utah, in Dugout Canyon within the west half of Section 23, Township 13 South, Range 12 East, Salt Lake Base Meridian. The currently approved Dugout Canyon Mine mining permit number is C/007/039. The permit area is located on the Pine Canyon and Mount Bartles, USGS 7.5 minute quadrangle maps. The description of the permit area is as follows:

Township 13 South, Range 12 East, SLBM, Utah

Section 9: S1/2SE1/4
Section 10: S1/2
Section 11: S1/2
Section 13: All except N1/2N1/2
Section 14: All
Section 15: All
Section 16: All
Section 17: E1/2SW1/4; SE1/4
Section 20: E1/2NW1/4; SW1/4NW1/4; N1/2NE1/4
Section 21: N1/2NW1/4; NE1/4
Section 22: N1/2; N1/2S1/2; Portion of N1/2NE1/4SE1/4SE1/4;
Portion of SW1/4NE1/4SE1/4SE1/4;
Portion of the S1/2NW1/4SE1/4SE1/4;
Portion of SW1/4NE1/4SW1/4SE1/4;
Portion of N1/2SE1/4SW1/4SE1/4;
Portion of NE1/4SW1/4SW1/4SE1/4;
Portion of S1/2SW1/4SW1/4SE1/4
Section 23: NW1/4; NE1/4; SE1/4; NE1/4SW1/4; NW1/4NW1/4SW1/4;
S1/2NE1/4NW1/4SW1/4; NW1/4SW1/4NW1/4SW1/4;
Section 24: All
Section 25: N1/2N1/2
Section 26: N1/2NE1/4
Section 27: Portion of W1/2NW1/4NW1/4NE1/4
Portion of SW1/4NE1/4NE1/4NW1/4
Portion of E1/2SW1/4NE1/4NW1/4
Portion of SW1/4SW1/4NE1/4NW1/4

Township 13 South, Range 13 East, SLBM, Utah

Section 17 SW1/4; SW1/4NW1/4; SW1/4SE1/4
Section 18 All except N1/2N1/2
Section 19 All
Section 20 All
Section 21 SW1/4; SW1/4NW1/4
Section 28 NW1/4; N1/2SW1/4; SW1/4SW1/4
Section 29 All
Section 30 NW1/4NW1/4; E1/2; E1/2W1/2

Township 14 South, Range 12 East, SLBM, Utah

Section 18 Portion N1/2NE1/4
Topsoil is being stored in T14S, R12E, Section 8, a storage area permitted to Soldier Canyon Mine.

A copy of the permit will be available for inspection at the Utah Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, Salt Lake City, Utah 84114

The address of the applicant is: Canyon Fuel Company, LLC, 6955 South Union Park Center, Suite 540, Midvale, Utah 84047, Phone: (801) 569-4700

Written comments or request for an informal conference regarding this application must be submitted within 30 days of the last publication date of this notice, to the Utah Division of Oil, Gas and Mining, Attention Coal Regulatory Program, 1594 West North Temple, Suite 1210, Salt Lake City, Utah 84114-5801.
APPENDIX 1-3

Surface Lease Documents
EXHIBIT C

DUGOUT CANYON MINE
PLAN OF DEVELOPMENT
RIGHT-OF-WAY UTU-76601
APPROVED SEPTEMBER 11, 1998

2. Nature of Interest:

a. By this instrument, the holder:

   Canyon Fuel Company, LLC.
   P. O. Box 1029
   Wellington, Utah 84542

   receives a right to construct, operate, maintain and terminate a mine facility right-of-way on public lands described as follows:

   Salt Lake Meridian, Utah
   T. 13 S., R. 12 E.
   sec. 23, NE¼NW¼NW¼SW¼,
   N½NE¼NW¼SW¼,
   SE¼NW¼NW¼SW¼.

b. The right-of-way granted herein for a culvert, sedimentation pond, storage area and staging area is 10.0 acres, more or less.

c. This instrument shall terminate twenty (20) years from its effective date unless, prior thereto, it is relinquished, abandoned, terminated, or modified pursuant to the terms and conditions of this instrument or of any applicable Federal law or regulation.
d. This instrument may be renewed. If renewed, the right-of-way or permit shall be subject to the regulations existing at the time of renewal and any other terms and conditions that the authorized officer deems necessary to protect the public interest.

e. Notwithstanding the expiration of this instrument or any renewal thereof, early relinquishment, abandonment, or termination, the provisions of this instrument, to the extent applicable, shall continue in effect and shall be binding on the holder, its successors, or assigns, until they have fully satisfied the obligations and/or liabilities accruing herein before or on account of the expiration or prior termination of the grant.

3. Rental:

For and in consideration of the rights granted, the holder agrees to pay the Bureau of Land Management fair market value rental as determined by the authorized officer, unless specifically exempted from such payment by regulation. Provided, however, the rental may be adjusted by the authorized officer, whenever necessary, to reflect changes in the fair market rental value as determined by the application of sound business management principles, and so far as practicable and feasible, in accordance with comparable commercial practices.

4. Terms and Conditions:

a. This grant or permit is issued subject to the holder’s compliance with all applicable regulations contained in Title 43 Code of Federal Regulations, part 2800.

b. Upon grant termination by the authorized officer, all improvements shall be removed from the public lands within 90 days, or otherwise disposed of as provided in paragraph (4)(d), or as directed by the authorized officer.

c. Each grant issued for a term of 20 years or more shall, at a minimum, be reviewed by the authorized officer at the end of the 20th year and at regular intervals thereafter not to exceed 10 years. Provided, however, a right-of-way or permit granted herein may be reviewed at any time deemed necessary by the authorized officer.

d. The stipulations, plans, maps, or designs set forth in Exhibit A and Exhibit B, and Exhibit C dated September 11, 1998, attached hereto, are incorporated into and made a part of this grant instrument as fully and effectively as if they were set forth herein in their entirety.

e. Failure of the holder to comply with applicable law or any provision of this right-of-way grant or permit shall constitute grounds for suspension or termination thereof.
f. The holder shall perform all operations in a good and workmanlike manner so as to ensure protection of the environment and the health and safety of the public.

g. Ninety (90) days prior to termination of the right-of-way, the holder shall contact the authorized officer to arrange a joint inspection of the right-of-way area. This inspection will be held to agree to an acceptable termination (and rehabilitation) plan. This plan shall include, but is not limited to, removal of facilities, drainage structures or surface material, recontouring, topsoiling, or seeding. The authorized officer must approve the plan in writing prior to the holder’s commencement of any termination activities.

IN WITNESS WHEREOF, The undersigned agrees to the terms and conditions of this right-of-way grant or permit.

[Signature of Holder]  [Signature of Authorized Officer]

[Title]  [Title]

9/12/98  September 14, 1998

(Date)  (Effective Date of Grant)
1. The holder shall construct, operate, and maintain the facilities, improvements, and structures within this right-of-way in strict conformity with the Plan of Development which was approved and made part of the grant on September 11, 1998 (See Exhibit C). Any relocation, additional construction, or use that is not in accord with the approved Plan of Development shall not be initiated without the prior written approval of the authorized officer. A copy of the complete right-of-way grant, including all stipulations and approved Plan of Development, shall be made available on the right-of-way area during construction, operation, and termination to the authorized officer. Noncompliance with the above will be grounds for an immediate temporary suspension of activities if it constitutes a threat to public health and safety or the environment.

2. The holder shall contact the authorized officer at least fourteen (14) days prior to the anticipated start of construction and/or any surface disturbing activities. The authorized officer will require and schedule a preconstruction conference with the holder prior to the holder’s commencing construction and/or surface disturbing activities on the right-of-way. The holder and/or his representative shall attend this conference. The holder’s contractor, or agents involved with construction and/or any surface disturbing activities associated with the right-of-way, shall also attend this conference to review the stipulations of the grant including the plans(s) of development.

3. The holder shall not initiate any construction or other surface disturbing activities on the right-of-way without the prior written authorization of the authorized officer. Such authorization shall be a written notice to proceed issued by the authorized officer. Any notice to proceed shall authorize construction or use only as therein expressly stated and only for the particular location or use therein described.

4. The authorized officer may suspend or terminate in whole, or in part, any notice to proceed which has been issued when, in his judgement, unforeseen conditions arise which result in the approved terms and conditions being inadequate to protect the public health and safety or to protect the environment.
5. The holder shall designate a representative who shall have the authority to act upon and to implement instructions from the authorized officer. The holder's representative shall be available for communication with the authorized officer within a reasonable time when construction or other surface-disturbing activities are underway.

6. The holder shall conduct all activities associated with the construction, operation and maintenance of the right-of-way within the authorized limits of the right-of-way.

7. The holder shall survey and clearly mark the centerline and or exterior limits of the right-of-way, as determined by the authorized officer.

8. No construction or routine maintenance activities shall be performed during periods when the soil is too wet to adequately support construction equipment. If such equipment creates ruts in excess of six (6) inches deep, the soil shall be deemed to be too wet to adequately support construction equipment.

9. Construction sites shall be maintained in a sanitary condition at all times: waster material at the site shall be disposed of promptly at an appropriate waste disposal facility. "Waste" means all discarded matter including human waste, trash, garbage, refuse, oil drums, petroleum products, ashes, and equipment.

10. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the authorized officer. Holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the authorized officer after consulting with the holder.
11. Thirty (30) days prior to termination of the right-of-way, the holder shall contact the authorized officer to arrange a joint inspection of the right-of-way. This inspection will be held to agree to an acceptable termination and rehabilitation plan. This plan shall include, but is not limited to, removal of facilities, recontouring, topsoiling, or seeding. The authorized officer must approve the plan in writing prior to the holder’s commencement of any termination activities.
Pine Canyon 7 1/2 Minute USGS Quadrangle Showing Right-of-Way Location

2. Nature of Interest:
   a. By this instrument, the holder:
      Canyon Fuel Company, LLC.
      Dugout Canyon Mine
      P.O. Box 1029
      Wellington, Utah 84542

      receives a right to construct, operate, maintain and terminate a pipeline and leach field right-of-way on public lands described as follows:

      Salt Lake Meridian, Utah,

      T. 13 S., R. 12 E.,
      22, S ½ SE 1/4
      27, NE 1/4 NW 1/4
      NW 1/4 NE 1/4.

   b. The right-of-way granted herein for the action is contains no more than 2.59 acres (2.69 acres total). Acreage of the various parts that constitute the action include 1.14 acres for the delivery pipeline, 0.97 for the leach field, and 0.58 acres for the reserve field.

   c. Access to the site would be upon existing routes and defined as casual use. Access would not require grading or any new construction.

   d. This instrument shall terminate fifteen (15) years from its effective
date unless, prior thereto, it is relinquished, abandoned, terminated, or
modified pursuant to the terms and conditions of this instrument or of
any applicable Federal law or regulation.

e. This instrument may be renewed. If renewed, the right-of-way or
permit shall be subject to the regulations existing at the time of
renewal and any other terms and conditions that the authorized officer
deems necessary to protect the public interest.

f. Notwithstanding the expiration of this instrument or any renewal
thereof, early relinquishment, abandonment, or termination, the
provisions of this instrument, to the extent applicable, shall continue in
effect and shall be binding on the holder, its successors, or assigns,
until they have fully satisfied the obligations and/or liabilities accruing
herein before or on account of the expiration or prior termination of the
grant.

3. Rental:

For and in consideration of the rights granted, the holder agrees to pay
the Bureau of Land Management fair market value rental as determined
by the authorized officer, unless specifically exempted from such
payment by regulation. Provided, however, the rental may be adjusted
by the authorized officer, whenever necessary, to reflect changes in
the fair market rental value as determined by the application of sound
business management principles, and so far as practicable and
feasible, in accordance with comparable commercial practices.

4. Terms and Conditions:

a. This grant or permit is issued subject to the holder's compliance with
all applicable regulations contained in Title 43 Code of Federal
Regulations, part 2800 and rules and regulations administered by the
Utah Division of Oil, Gas and Mining.

b. Upon grant termination by the authorized officer, all improvements
shall be removed from the public lands within 90 days, or otherwise
disposed of as provided in paragraph (4)(d), or as directed by the
authorized officer.

c. Each grant issued for a term of 20 years or more shall, at a minimum,
be reviewed by the authorized officer at the end of the 20th year and
at regular intervals thereafter not to exceed 10 years. Provided,
however, a right-of-way or permit granted herein may be reviewed at
any time deemed necessary by the authorized officer.
e. Failure of the holder to comply with applicable law or any provision of this right-of-way grant or permit shall constitute grounds for suspension or termination thereof.

f. The holder shall perform all operations in a good and workmanlike manner so as to ensure protection of the environment and the health and safety of the public.

g. Ninety (90) days prior to termination of the right-of-way, the holder shall contact the authorized officer to arrange a joint inspection of the right-of-way area. This inspection will be held to agree to an acceptable termination (and rehabilitation) plan. The authorized officer must approve the plan in writing prior to the holder's commencement of any termination activities.

IN WITNESS WHEREOF, The undersigned agrees to the terms and conditions of this right-of-way grant or permit.

[Signature of Holder]

[Signature of Authorized Officer]

[V.P. Exploration, Arkland Co.]

[Acting Field Manager]

[5/28/00]

[Date]

[August 14, 2000]

[Effective Date of Grant]
Exhibit A
Stipulations

1. The holder shall operate, and maintain the facilities, improvements, and structures within this right-of-way in strict conformity with the plan(s) of development which was (were) approved and made part of the grant on March 28, 2000. The holder shall, as well, operate the right-of-way granted by the BLM in complete accordance with the requirements of the Utah Division of Oil, Gas and Mining and Utah Division of Water Quality. The proposed facilities will be bonded as required under the Division’s mine and reclamation plan. Any relocation, additional construction, or use that is not in accord with the approved plan(s) of development, shall not be initiated without the prior written approval of the authorized officer. A copy of the complete right-of-way grant, including all stipulations and approved plan(s) of development, shall be made available on the right-of-way area during operation and termination to the authorized officer. Noncompliance with the above will be grounds for an immediate temporary suspension of activities if it constitutes a threat to public health and safety or the environment.

2. The holder shall designate a representative(s) who shall have the authority to act upon and to implement instructions from the authorized officer. The holder’s representative shall be available for communication with the authorized officer within a reasonable time whenever required.

3. The holder shall not initiate any construction or other surface disturbing activities on the right-of-way without the prior written authorization of the authorized officer. Such authorization shall be a written notice to proceed issued by the authorized officer. Any notice to proceed shall authorize construction or use only as therein expressly stated and only for the particular location or use therein described.

4. The authorized officer shall designate a third party environmental monitor to be on-site throughout construction and surface disturbing activities. The monitor will be on-site daily to review operations and procedures, as well as monitor access to and along the right-of-way. Cost of the third party monitor will be the responsibility of the holder.

5. The authorized officer may suspend or terminate in whole, or in part, any notice to proceed which has been issued when, in his judgement, unforeseen conditions arise which result in the approved terms and conditions being inadequate to protect the public health and safety or to protect the environment.
6. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on his behalf, on public land shall be immediately reported to the authorized officer. Holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the authorized officer after consulting with the holder.

7. Use of pesticides shall comply with the applicable Federal and state laws. Pesticides shall be used only in accordance with their registered uses and within limitations imposed by the Secretary of the Interior. Prior to the use of pesticides, the holder shall obtain from the authorized officer written approval of a plan showing the type and quantity of material to be used, pest(s) to be controlled, method of application, location of storage, and disposal of containers, and any other information deemed necessary by the authorized officer. Emergency use of pesticides shall be approved in writing by the authorized officer prior to such use.

8. The holder shall conduct all activities associated with the operation and termination of the right-of-way within the area described within the EA.

9. The holder shall permit free and unrestricted public access for all lawful purposes except for those specific areas designated as restricted by the authorized officer to protect the public, wildlife, livestock, or facilities constructed within the right-of-way.

10. No construction activities shall be performed during periods when the soil is too wet to adequately support construction equipment. If such equipment creates ruts in excess of six (6) inches deep, the soil shall be deemed too wet to adequately support construction equipment.

11. The holder shall seed all disturbed areas with the seed mixture(s) listed below. Seeding shall take place from mid October through mid November. The seed mixture(s) shall be planted in the amounts specified in pounds of pure live seed (PLS)/acre. There shall be no primary or secondary noxious weed seed in the seed mixture. Seed shall be tested and the viability testing of seed shall be done in accordance with State law(s) and within six (6) months prior to purchase. Commercial seed shall be either certified or registered seed. The seed mixture container shall be tagged in accordance with State law(s) and available for inspection by the authorized officer.
Seed shall be planted using a drill equipped with a depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture shall be evenly and uniformly planted over the disturbed area. (Smaller/heavier seeds have a tendency to drop to the bottom of the drill and are planted first. The holder shall take appropriate measures to ensure this does not occur.) Where drilling is not possible, seed shall be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre noted below are to be doubled. The seeding will be repeated until a satisfactory stand is established as determined by the authorized officer. Evaluation of growth will not be made before completion of the second growing season after seeding. The authorized officer is to be notified a minimum of fourteen (14) days prior to seeding of the project.

SEEDING MIXTURE

The area shall be revegetated with the seed mix developed by Canyon Fuel and the Utah Division of Oil, Gas and Mining for final reclamation of disturbed facilities.

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<td>Indian ricegrass</td>
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<td>Bottlebrush squirreltail</td>
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<tr>
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<tr>
<td>Palmer penstemon</td>
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<tr>
<td>Northern sweetvetch</td>
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<td>1.5</td>
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<tr>
<td>Fourwing saltbush</td>
<td>1.0</td>
</tr>
<tr>
<td>Bitterbrush</td>
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</tbody>
</table>

Total 21.0

12. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder(s) shall comply with the Toxic Substances Control Act of 1976, as amended (15 U.S.C. 2601, et. seq.) with regard to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized under this right-of-way grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193).
Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the authorized officer concurrent with the filing of the reports to the involved Federal agency or State government.

13. Ninety (90) days prior to termination of the right-of-way, the holder shall contact the authorized officer to arrange a joint inspection of the right-of-way. This inspection will be held to agree to an acceptable termination (and rehabilitation) plan. The authorized officer must approve the plan in writing prior to the holder's commencement of any termination activities.
On August 14, 2000, Canyon Fuel Company Fuel LLC was granted right-of-way UTU-77985 to construct, operate and maintain a pipeline and leach field on public lands as described in the original right-of-way document. The subject right-of-way was granted under authority of section 501 (a) of the Federal Land Policy and Management Act of 1976 (90 Stat 2776, 43 U.S.C. 1761).

The legal description for the right-of-way is hereby amended to read as follows:

Salt Lake Meridian, Utah, T. 13 S. R. 12 E.,

Sec. 22, NE1/4SW1/4SW1/4SE1/4
S1/2SW1/4SW1/4SE1/4
N1/2SE1/4SW1/4SE1/4
SE1/4NE1/4SW1/4SE1/4
S1/2NW1/4SE1/4SE1/4
SW1/4NE1/4SE1/4SE1/4
N1/2NE1/4SE1/4SE1/4;

Sec. 23, NW1/4SW1/4NW1/4SW1/4
S1/2NW1/4NW1/4SW1/4
NE1/4NW1/4NW1/4SW1/4
N1/2NE1/4NW1/4SW1/4;
APPENDIX 1-4

Disturbed Area Legal Description
LEGAL DESCRIPTION OF BONDED AREA:

Waste Rock Storage Facility
T. 14 S., R. 12 E., SLBM, Utah (Approximately 26.8 acres)
Section 18: Portions of NW1/4NE1/4NE1/4
Portions of NE1/4NE1/4NE1/4
Portions of SW1/4NE1/4NE1/4
Portions of SE1/4NE1/4NE1/4
Portions of NW1/4SE1/4NE1/4

Leachfield and Pipeline
T. 13 S., R. 12 E., SLBM, Utah (Approximately 1.8 acres)
Section 22: Portion of SE1/4SE1/4NE1/4SE1/4
Portion of NE1/4SE1/4NE1/4SE1/4
Portion of N1/2NE1/4SE1/4SE1/4;
Portion of SW1/4NE1/4SE1/4SE1/4;
Portion of S1/2NW1/4SE1/4SE1/4;
Portion of SE1/4NE1/4SW1/4SE1/4;
Portion of N1/2SE1/4SW1/4SE1/4;
Portion of NE1/4SW1/4SW1/4SE1/4;
Portion of S1/2SW1/4SW1/4SE1/4

Section 23: Portion of SW1/4NW1/4NW1/4SW1/4;
Portion of SE1/4NW1/4NW1/4SW1/4;
Portion of NW1/4SW1/4NW1/4SW1/4;

Section 27: Portion of W1/2NW1/4NW1/4NE1/4;
Portion of SE1/4NE1/4NE1/4NW1/4;
Portion of E1/2SE1/4NE1/4NW1/4;
Portion of SW1/4SE1/4NE1/4NW1/4;

Main Facilities Area T. 13 S., R. 12 E., SLBM, Utah (Approximately 20.8 acres)

Section 23: A Portion of the following:
NE1/4NE1/4NW1/4SW1/4; NE1/4NW1/4NW1/4SW1/4;
NW1/4NE1/4NW1/4SW1/4;SW1/4SE1/4SW1/4NW1/4;
SE1/4SE1/4SW1/4NW1/4;NW1/4SE1/4SW1/4NW1/4;
NE1/4SE1/4SW1/4NW1/4;SW1/4SW1/4SE1/4NW1/4;
SE1/4SW1/4SE1/4NW1/4;NW1/4SW1/4SE1/4NW1/4;
NE1/4SW1/4SE1/4NW1/4;SW1/4NW1/4SE1/4NW1/4;
SE1/4NW1/4SE1/4NW1/4;NE1/4NW1/4SE1/4NW1/4;
SW1/4NE1/4SE1/4NW1/4;NW1/4NE1/4SE1/4NW1/4;
NE1/4NE1/4SE1/4NW1/4;W1/2SE1/4NE1/4NW1/4;
SW1/4NE1/4NE1/4NW1/4;NW1/4NE1/4NE1/4NW1/4;
NE1/4NE1/4NE1/4NW1/4;

Section 14: A Portion of the following:
SE1/4SE1/4SE1/4SW1/4;
Canyon Fuel Company, LLC
SCM/Dugout Canyon Mine

Mining and Reclamation Plan
March 30, 2010

NE1/4SE1/4SW1/4;
NW1/4SW1/4SE1/4

Degas Wells and Access Roads, (Approximately 55.75 acres)

G-2  Portion of N1/2SW1/4NE1/4 Section 24 Township 13 South, Range 12 East, SLBM
G-3  Portion of N1/2SW1/4NW1/4 Section 19 Township 13 South, Range 13 East, SLBM
G-4  Portion of N1/2NE1/4NW1/4 Section 24 Township 13 South, Range 12 East, SLBM
G-5  Portion of N1/2NW1/4NE1/4 Section 24 Township 13 South, Range 12 East, SLBM
G-6  Portion of S1/2SW1/4NW1/4 Section 18 Township 13 South, Range 13 East, SLBM
G-7  Portion of SW1/4NE1/4SE1/4 Section 24 Township 13 South, Range 12 East, SLBM
G-9  Portion of NW1/4NW1/4SW1/4 Section 21 Township 13 South, Range 13 East, SLBM
G-10 Portion of NE1/4NE1/4SW1/4 Section 20 Township 13 South, Range 13 East, SLBM
G-11 Portion of NE1/4SE1/4SW1/4 Section 20 Township 13 South, Range 13 East, SLBM
G-12 Portion of SE1/4NW1/4SW1/4 Section 20 Township 13 South, Range 13 East, SLBM
G-13 Portion of NW1/4NE1/4SE1/4 Section 19 Township 13 South, Range 13 East, SLBM
G-14 Portion of SW1/4NW1/4SE1/4 Section 17 Township 13 South, Range 13 East, SLBM
G-15 Portion of NW1/4SE1/4NE1/4 Section 19 Township 13 South, Range 13 East, SLBM
G-16 Portion of SW1/4SE1/4NE1/4 Section 18 Township 13 South, Range 13 East, SLBM
G-17 Portion of SE1/4NW1/4SE1/4 Section 18 Township 13 South, Range 13 East, SLBM
G-18 Portion of NE1/4SE1/4NW1/4 Section 20 Township 13 South, Range 13 East, SLBM
G-19 Portion of SW1/4NW1/4SE1/4 Section 20 Township 13 South, Range 13 East, SLBM
G-22 Portion of NE1/4SE1/4SE1/4 Section 18 Township 13 South, Range 13 East, SLBM
AMV Access Road Portions of SE1/4 Section 18 Township 13 South, Range 13 East, SLBM
G-22 Access Road Portions of SE1/4 Section 18 Township 13 South, Range 13 East, SLBM
AMV Portion of S1/2NW1/4 Section 20 Township 13 South, Range 13 East, SLBM

Access Road Portions of SE1/4 Section 18 Township 13 South, Range 13 East, SLBM

Pace Canyon Fan Facility Township 13 South, Range 13 East, SLBM (Approximately 2.7 acres)
Section 30: Portion of E1/2NW1/4

Topsoil Stockpile (Waste Rock Area) T14S, R12E, SLBM, Utah, Section 8 (Approximately 0.85 acres)

Total Approximately 108.7