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UP&L Tract, Surface and Ground Water Baseline Water Monitoring Data, April 2001

Utah Pollutant Discharge Elimination System (UPDES) Permit, UT0023540, October 1999

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Summary Report for Coastal States Energy Company, Radian Corporation, October 1979

Approval Order for Modification of Skyline Coal Handling Facility, Carbon County, Utah, State of Utah, January 1992

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Production of Reference Areas, Soil Conservation Service, October 1987

Conveyor Bench Revegetation Plan - SCS Document, August 1988

Soil Characteristics on the Proposed Conveyor Construction Site, Sheldon D. Nelson, Ph.D., January 1991

Plant Community Types on the Proposed Conveyor Routes, Stanley B. Welsh, Ph.D., January 1991


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The Skyline Mine - Avifauna, Dr. Clayton White, Dept. of Zoology, Brigham Young University,

Mammals - Endangered and Threatened Species, Dr. C. Pritchett and Dr. H.D. Smith, Dept. of Zoology, Brigham Young University.

Attachment H - Vertebrate Species of Southeastern Utah, Publ. No. 78-16


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Skyline Mine Project - Interim Findings, 8 June 1980, Clayton M. White, Dept. of Zoology, Brigham Young University


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112.500 Legal or Equitable Owner of the Surface and Mineral Properties to be Mined [unchanged]

Skyline Mines is operated on a leasehold interest owned by Canyon Fuel Company, LLC. The land on which the mining is to occur, except for a small tract in Carbon County, is a part of the Manti-La Sal National Forest four miles southwest of Scofield, Utah in Eccles Canyon. The permit area also includes areas for use as access roads and rail loading facilities located in Township 13 South, Range 7 East over portions of Sections 17 and 18. Right-of-way and surface easements are also included for construction of a coal conveyance system from the mine portal area down Eccles Canyon to the coal storage and loadout facility at the mouth of the canyon. In addition to the above, the permit area includes an area of leased surface rights for use as access roads and a waste site from the George Telonis Estate, (Fontini Telonis et al, P.O. Box A.D., Price, Utah 84501) located in Township 13 South, Range 7 East, SLM, Section 4: SW 1/4, NW 1/4, consisting of approximately 27.83 acres.

Various organizations hold interests, as overriding royalty interests, in and to the coal within the permit area boundaries. The identified holders of overriding interests are:

- Kanawha and Hocking Coal and Coke Company
  P.O. Box 507
  Clear Creek, Utah 84501

- Routt County Development, Ltd.
  c/o Energy Fuels Corporation
  Three Park Central
  Suite 900
  1515 Arapahoe
  Denver, Colorado 80202

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.

112.600 Owners of Record of Property Contiguous to Proposed Permit Area

The following list, contains the names and addresses of all owners of surface lands contiguous to the lease boundary and are illustrated on Drawing 1.6-1 (excluding the waste rock disposal area):

Revised 12-30-16
Utah Power & Light Company
1407 West North Temple
Salt Lake City, Utah 84110

Nick and Koula Marakis
150 East 1st South
Price, Utah 84501

Helen Marakis
160 East 1st South
Price, Utah 84501

Bessie Oman (Milton)
61 South Main
Salt Lake City, Utah 84115

United States of America
Department of Agriculture
U.S. Forest Service
599 West Price River Drive
Price, Utah 84501

Greek Orthodox Church (Helinic)
P.O. Box 688
Price, Utah 84501

Virginia W. Mower
56 West 200 South
Fairview, Utah 84629

Union Pacific Railroad
1416 Dodge Street
Omaha, Nebraska 68179-0001

Kanawha & Hocking Coal & Coke Co.
P.O. Box 507
Clear Creek, Utah 84629

David G. and Rene L. Cunningham
995 East Hillside Drive

U.S. Forest Service
599 West Price River Drive
Price, Utah 84501

Euray Allred
P.O. Box 35
Fountain Green, Utah 84632

George E. Liodakis
2655 E. Chalet Circle
Sandy, Utah 84093

Church of Jesus Christ of Latter Day Saints
50 E North Temple
Salt Lake City, UT 84150

Richard S. Christensen Trust
265 E 3450 N
Provo, UT 84604

Shirley Cox Trust
700 S 700E
Centerville, UT 84014

Terry R. Cox et.al.
c/o Timothy G. Deward
9513 Chavez Dr.
South Jordan, UT 84095

G. Wayne Mower et.al.
514 Americas Way #1151
Box Elder, SD 57719

Leslie Scott Watson et.al.
145 W/ Rosewood Cir
Centerfield, UT 84014

Sandra Lyn Shelley et.al.
1496 N 200 W
Sunset, UT 84015

Jeffery W. Jensen et.al.
Verl W. Jensen
163 W 600 N
Clearfield UT 840115

Cox Inc
504 E 3230 N
Provo, UT 84604

Kenneth R. Bench
PO Box 385
Fairview, UT 84629

Neal Rosenbaum et.al.
746 E. 200 N.
Spanish Fork, UT 84660

Revised: 12-30-16
The following list contains the names and addresses of the owners of mineral acreage contiguous to the mine permit boundary and are illustrated on Drawing 1.6-2 (excluding the waste rock disposal area and rail loadout):

- Carbon County, Utah
  - Court House
  - Price, Utah 84501

- Peper Estate
  - 975 West 600 South
  - Orem, Utah 84058

- C&B Coal
  - 975 West 600 South
  - Orem, Utah 84058

- Utah Power and Light Company
  - 1407 West North Temple
  - Salt Lake City, Utah 84110

- James and Linda Tracy
  - 3148 North Timpview Drive
  - Provo, Utah 84604

- Church of Jesus Christ of Latter Day Saints
  - 50 E North Temple
  - Salt Lake City, UT 84150

- Shirley Cox Trust
  - 700 S 700E
  - Centerville, UT 84014

- G. Wayne Mower et.al.
  - 514 Americas Way #1151
  - Box Elder, SD 57719

- Sandra Lyn Shelley et.al.
  - 1496 N 200 W
  - Sunset, UT 84015

- United States of America
  - Department of the Interior
  - Bureau of Land Management
  - 2370 South 2300 West
  - Salt Lake City, Utah 84119

- Canyon Fuel Company, LLC
  - 225 N. 5th Street, Ste 900
  - Grand Junction, Colorado 81501

- Energy Fuels
  - Three Park Central, Suite 900
  - 1515 Arapahoe
  - Denver, Colorado 80202

- David G. and Rene L. Cunningham
  - 995 East Hillside Drive
  - Provo, Utah 84604

- Richard S. Christensen Trust
  - 265 E 3450 N
  - Provo, UT 84604

- Terry R. Cox et.al.
  - c/o Timothy G. Deward
  - 9513 Chavez Dr.
  - South Jordan, UT 84095

- Leslie Scott Watson et.al.
  - 145 W/ Rosewood Cir
  - Centerfield, UT 84014

- Jeffery W. Jensen et.al.
  - Verl W. Jensen
  - 163 W 600 N
  - Clearfield UT 840115

Revised: 12-30-16
The following list contains the names and addresses of the owners of the lands contiguous to the waste rock disposal area:

Surface: Fontini Telonis, et al
        P.O. Box AD
        Price, Utah 84501

Coal: Western Reserve Coal Company
      Denver, Colorado

112.700 MSHA Numbers [unchanged]
Since the mining operations comprising the Skyline Mining Project will utilize surface facilities in the same general area and will mine generally the same area in horizontal extent, the operations are treated in this Mining Permit Application as a single mining operation to be known as the "Skyline Mines." The "Skyline Mines" will involve a multiseam mining operation of three coal seams with certain areas being mined sequentially at different depths with slight variations due to geological and mining restraints. To distinguish the operations of mining one seam from the others, each operation has been named individually:

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| Skyline Mine No. 2   | Lower O'Connor "A"
                      | Lower O'Connor "B"
                      | Flat Canyon Seam (If economical) |

The mine Safety and Health Administration numbers for the Skyline Mines are:

Skyline Mine No. 1 - 42-01435
Skyline Mine No. 3 - 42-01566
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C&B Energy 120 30-Jul-02 C&B Energy Koula Marakis, Trust: George E. & Helen Liodakis & Liodakis Ranch

Carbon County 65 1-May-74 Carbon County Canyon Fuel Company, LLC., Milton D. Oman, LTD,
746.25 1-Aug-02 Carbon County Koula Marakis, Trust: George E. & Helen Liodakis & Liodakis Ranch

Canyon Fuel Company, LLC 240 20-Dec-10 D. Euray Allred & Madelyn E. Allred Trust

Canyon Fuel Company, LLC 346.68 22-May-98 Cunningham / Tracy David G. & Rene L. Cunningham

Active Federal Coal Acreage 12,132.32
Active Non-Federal Coal Acreage 1517.93

Total Active Lease 13,650.25

Leasehold interests involve all or part of the leases which have been subleased and/or assigned to Canyon Fuel Company, LLC.

Acres listed in leasehold interest are identified both on Plate 1.6-2 and Plate 1.6-3; Landownership is identified on Plate 1.6-1.
112.800 Interest in Contiguous Lands
Interest of Canyon Fuel Company, LLC in Contiguous Areas

(Excerpt from Permit Application on File with Utah DOGM)
PERMITTEE'S INTEREST IN CONTIGUOUS AREAS

Canyon Fuel Company, LLC owns or controls the following interest in lands or minerals, a portion of which is contiguous to the mining permit area:

1. 796.57 acres of minerals less oil and gas acquired by way of a deed dated April 9, 1980, from Kaiser Steel Corporation, a Nevada corporation, to Coastal States Energy Company, to Canyon Fuel Company, LLC, described as, to wit:

   In Township 13 South, Range 6 East
   Section 13: NE 1/4
   SE 1/4

   In Township 13 South, Range 7 East
   Section 17: ½ SW 1/4
   Section 18: ½ SE 1/4
   SW 1/4 SW 1/4 (Lot 4)
   SE 1/4 SW 1/4
   Section 19: NW 1/4 NW 1/4 (Lot 1)
   NE 1/4 NW 1/4
   N ½ NE 1/4
   Section 20: N ½ NW 1/4

2. 5.0 acres, more or less, of land leased to the Applicant by way of a Lease Agreement dated September 18, 1980 between the Hellenic Orthodox Church and the Applicant, described as, to wit:

   Beginning at a point 330 feet North of the South Quarter Corner of Section 17, Township 13 South, Range 7 East, Salt Lake Meridian, and running thence North along the East boundary line of the Southeast Quarter of the Southwest quarter of said Section 17, a distance of 460 feet, more or less to the point where said East boundary line intersects the center line of Eccles Canyon Creek; thence Southwesterly along the

   UTILITY DIVISION OIL, GAS AND MINING
   UTILITY DIVISION OIL, GAS AND MINING
   APR 20 1997
   REVISION: 6/97
said center line of Eccles Canyon Creek to a point 1000 feet West of the point of beginning; thence East 1000 feet to point of beginning.

3. Two parcels of land owned by the Applicant within Eccles Canyon as shown on Drawing No. 1.6-1. The first parcel of land, being part of an entire tract of property in the S1/2, SE1/4 of Section 13 and the N1/2, NE1/4 and the SW1/4, NE1/4 of Section 24, Township 13 South, Range 6 East, S.L.B.&.M. The boundaries of said parcel of land are described as follows:

Beginning at a point approximately 238 feet west of the NE corner of Section 24, Township 13 South, Range 6 East, S.L.B.&.M., said point being at the intersection of the center of Eccles Creek and the north boundary of Section 24, Township 13 South, Range 6 East, S.L.B.&.M., herein called the point of beginning, thence west-northwesterly along the center line of Eccles Canyon Creek to a point that intersects the east boundary of the Manti-LaSal National Forest, said point being on or approximately on the north-south 1/4 section line of Section 13, thence south along the east boundary of the Manti-LaSal national Forest, said line also being the north-south 1/4 section line of Sections 13 and 24, Township 13 South, Range 6 East, S.L.B.&.M., to the center of Section 24, Township 13 South, Range 6 East, S.L.B.&.M., thence east along the east-west 1/4 line of Section 24, Township 13 South, Range 6 East, S.L.B.&.M., said line also being a north boundary of the Manti-LaSal National Forest, a distance of 190.83 feet, thence North 27° 40' 28" East 681.55 feet, to the point of tangency with a 616.20 foot radius curve to the right, thence Northeasterly 173.45 feet along the arc of said curve, thence North 43° 49' 22" East 657.88 feet to the point of tangency with a 616.20 foot radius curve to the right, thence Northeasterly 114.27 feet along the arc of said curve, thence North 54° 26' 52" East 735.91 feet to the point of tangency with a 816.20 foot radius curve to the left, thence Northeasterly 250.40 feet along the arc of said curve, thence North 36° 52' 12" East 530.90 feet to the point of tangency with a 616.20 foot radius curve to the right, thence Northeasterly approximately 465 feet along the arc of said curve to a point on the easterly boundary of Section 24, Township 13 South, Range 6 East, S.L.B.&.M., said point being approximately 80 feet south of the Northeast corner of Section 24, Township 13 South, Range 6 East, S.L.B.&.M., thence northerly along easterly boundary of Section 24, Township 13 South, Range 6 East, S.L.B.&.M., to the center line of Eccles Canyon Creek; thence west-northwesterly along center line of Eccles Canyon Creek to the point of beginning.
The second parcel of land lies in the Southeast Quarter of Section 17, west of State Road 96 and South of State Road 264, in Township 13 South, Range 7 East, S.L.B.&M., Carbon County, Utah described as follows:

Commencing at the Southeast corner of said Section 17, Township 13 South, Range 7 East, S.L.B.&M., thence South 89° 59' 12" West 1282.48 feet to the intersection of the westerly right of way line of State Road 96, the true point of beginning for this tract; and running thence South 89° 59' 12" West along the south line of said Section, 1336.16 feet to the south one quarter corner of said Section 17; thence North 0° 01' 28" West along the North-South center section line, 789.58 feet to a point on the South right of way line of State Road 264; at engineers station 447 + 52.72; said point lying on the arc of a 3869.72 foot radius curve to the left (said radius bears North 24° 21' 42" West), thence Easterly along said Southerly right of way line, 50 foot Southerly and parallel with the centerline of said State Highway 264, the following courses; thence along the arc of said radius curve to the left; (whose long chord bears North 62° 49' 14" East 380.49 feet), a length of 380.65 feet to the point of tangency at Engineers Station 451 + 28.45; thence North 60° 00' 09" East 325.67 feet to the point of a 666.20 foot radius curve to the right at Engineers Station 454 + 54.12; thence along the arc of said curve; (whose long chord bears North 84° 36' 26" East 554.76 feet), a length of 572.18 feet to the point of tangency at Engineers Station 460 + 69.24; thence South 70° 47' 16" East 622.95 feet to the point of a 527.46 foot radius curve to the left at Engineers Station 466 + 92.19; thence along the arc of said curve; (whose long chord bears South 81° 22' 30" East 193.82 feet), a length of 194.93 feet to the point of a reverse curve to the right marking the intersection of the Westerly right of way line of State Road 96; said point of curvature being Engineers Station 468 + 68.64 (whose radius point bears North 1° 57' 43" West), thence running Southerly along the Westerly right of way line of State Road 96, 50.0 feet Westerly of, and parallel with the centerline of said road, the following courses; thence along the arc of said reverse curve to the right; (whose radius point bears South 1° 57' 43" East 69.17 feet and whose long chord bears South 52° 43' 21" East 87.51 feet), a length of 94.74 feet to the point of tangency; thence South 13° 28' 59" East 55.43 feet to the point of a 50.00 foot radius curve to the right; thence along the arc of said curve (whose long chord bears South 14° 56' 20" West 47.60 feet), a length of 49.61 feet to the point of tangency; thence South 43° 21' 39" West 285.65 feet to the point of a 1463.63 foot radius curve to the left; thence along the arc of said curve; (whose long chord bears South 40° 57' 04" West 123.14 feet), a length of 123.14 feet to the
point of tangency; thence South 38° 32' 29" West 334.32 feet to the point of a
2031.74 foot radius curve to the right; thence along the arc of said curve; (whose
long chord bears South 40°17' 48" West 124.48 feet), a length of 124.50 feet to the
point of tangency; thence South 42°03' 09" West 180.47 feet to the true point of
beginning and containing 42.57 acres.

No surface disturbance or underground mining will be conducted on the lands controlled
by the Permittee lying outside the mining permit area.

The Swens Canyon Ventilation Shaft is necessary to provide adequate ventilation within
the existing lease. However, Canyon Fuel Company, LLC, has acquired the Flat Canyon
Lease (UTU-77114) and the shaft will also service the ventilation needs of that area.

In 2017, the bond release of the access road and topsoil pile area for the South Fork
Breakout, in the NE/SW of Section 24, was implemented to accommodate logging as
approved by the US Forest Service (see plate 3.2.11-1). The disturbed area was reduced
from 0.96 acres to 0.60 acres.

Canyon Fuel Company, LLC, does not own or control, indirectly or indirectly, legally or
equitably any interest in the areas contiguous to the permit area other than the interests
described above.

The permittee has no option, bid or other interest in any contiguous acreage other than
that stated above. No application for leasing unleased Federal lands adjacent to the
permit area is currently pending.
112.900 Certification of Submitted Information

The undersigned hereby attests that the information contained in this Notice of Change in Ownership and Contract Information is true and correct to the best of the undersigned's information and belief.

On behalf of CANYON FUEL COMPANY, LLC

[Signature]
Richard D. Pick
Its: President, Chief Executive Officer and General Manager

STATE OF UTAH

COUNTY OF SALT LAKE

Subscribed and sworn before me this 31 day of August, 1998.

[Notary Seal]
Helen Patricia Fest
Notary Public
Residing at __________

My Commission Expires:

09/18/2001

INTEGRATED
EFFECTIVE:

SEP 16 1998

Utah Division Oil, Gas and Mining
See General Chapter 1
For information previously listed in pages 1-26 through 1-29
Regulations R645-301-112 through -301-150 are updated on an annual basis for all the Canyon Fuel Company, LLC, mines. Information is located in a separate binder/folder titled, “General Chapter 1”
114 Right-of-Entry Information

The Skyline Mines will be operated on the leasehold interests owned by Canyon Fuel Company, LLC. The lands on which mining is to occur includes part of the Manti-La Sal National Forest, and both county and private leases (see Drawings 1.6-1 and 1.6-3 of the unmodified permit). Post mining land use of National Forest lands are outlined in the approved Manti-La Sal Forest Land Use Management Plan. The waste rock disposal area and Winter Quarters Ventilation Facility are on private land as also shown on Drawing 1.6-1. The leasehold interests involve all or a part of the following coal leases, which have been subleased and/or assigned to Canyon Fuel Company, LLC (additional information provided on Table 114.1):

<table>
<thead>
<tr>
<th>Federal Lease</th>
<th>Issued to</th>
<th>Date of Issuance</th>
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</thead>
<tbody>
<tr>
<td>Utah - 020305</td>
<td>Emmett K. Olson</td>
<td>03/01/62</td>
</tr>
<tr>
<td>Utah - 044076</td>
<td>Armeda N. McKinnon</td>
<td>09/01/65</td>
</tr>
<tr>
<td>Utah - 0142235</td>
<td>Malcolm N. McKinnon</td>
<td>10/01/64</td>
</tr>
<tr>
<td>Utah - 0147570</td>
<td>Malcolm N. McKinnon</td>
<td>05/01/65</td>
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<tr>
<td>Utah - 073120</td>
<td>Independent Coal and Coke Company</td>
<td>02/01/64</td>
</tr>
<tr>
<td>Utah - 67939 Tract 1</td>
<td>Coastal States Energy Co.</td>
<td>09/01/96</td>
</tr>
<tr>
<td></td>
<td>Canyon Fuel Company, LLC</td>
<td>04/02/12</td>
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</table>

<table>
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<tr>
<th>County Lease</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Carbon County Coal Lease</td>
<td>Kanawha and Hocking Coal and Coke Company</td>
<td>5/1/74</td>
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<tr>
<td>Carbon County Coal Lease</td>
<td>Canyon Fuel Company, LLC</td>
<td>05/15/02</td>
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</table>

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<tr>
<th>Private Lease</th>
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<tbody>
<tr>
<td>UP&amp;L Tract</td>
<td>Canyon Fuel Company, LLC</td>
<td>2/1/99</td>
</tr>
<tr>
<td>C&amp;B Energy</td>
<td>Canyon Fuel Company, LLC</td>
<td>8/1/02</td>
</tr>
<tr>
<td>Peabody Natural Resources Company (formerly known as Hanson Natural Resources Company)</td>
<td>Canyon Fuel Company, LLC</td>
<td>12/16/10</td>
</tr>
<tr>
<td>Cunningham / Tracy</td>
<td>Canyon Fuel Company, LLC</td>
<td>5/22/98</td>
</tr>
</tbody>
</table>

The legal descriptions of the above listed coal leases are:

Federal Coal Lease Serial #Utah-020305

T. 13 S., R. 6 E., SL Meridian, Utah
Sec. 13: SW-1/4 SW-1/4 (Lot 7);
Sec. 14: SE-1/4 SE-1/4;
Sec. 23: E-1/2 E-1/2; (relinquished)
Sec. 24: W-1/2 NW-1/4, SE-1/4 NW-1/4, S-1/2; (SE1/4 relinquished)

Revised 12-30-16
Sec. 25: All (Lots 1 thru 4, S-1/2 N-1/2, S-1/2); (relinquished)
Sec. 26: E-1/2 E-1/2; (relinquished)
    containing 279.4 acres;

Federal Coal Lease Serial #Utah-044076

T. 13 S., R. 6 E., SL Meridian, Utah
Sec. 26: W-1/2 E-1/2, W-1/2;
Sec. 27: Lots 1, 2, 3, 4, E-1/2, E-1/2 W-1/2,
Sec. 34: Lots 1, 2, 3, 4, 5, 6, 7, 8, and S-1/2
Sec. 35: Lots 1, 2, 3, 4, 5, 6, 7, NE-1/4, E-1/2 NW-1/4, NE-1/4 SW-1/4,
    N-1/2 SW-1/4;
    containing 2,489.32 acres;

Federal Coal Lease Serial #Utah-0142235

T. 13 S., R. 6 E., SL Meridian, Utah
Sec. 11: S-1/2 S-1/2;
Sec. 14: W-1/2, SW-1/4 SE-1/4;
    containing 520.00 acres;

Federal Coal Lease Serial #Utah-0147570

T. 13 S., R. 6 E., SL Meridian, Utah
Sec. 10: Lots 3 and 4, E-1/2 SW-1/4 and SE-1/4;
Secs. 15 and 22: All; (relinquished all of Sec. 15 except E1/2NE1/4)
Sec. 23: W-1/2 E-1/2 and W-1/2;
    containing 1,532.70 acres;

Federal Coal Lease Serial #Utah-073120

T. 13 S., R. 6 E., SL Meridian, Utah
Section 13: Lots 1, 2/3, 4, 5, 6, 8;
Section 14: NE-1/4, N-1/2 SE-1/4;

Revised 12-30-16
Section 24: NE-1/4 NW-1/4;
containing 557.22 acres

Federal Coal Lease Serial # UTU - 67939
Tract 1 T.12 S., R.6 E., SL Meridian, Utah
Section 26, S2SE, S2SW
Section 34, Lots 1-4, S2NE, S2NW, E2 W1/2SE, N2S2
Section 35, all
T.13S., R.6 E., SL Meridian, Utah
Section 2, all
Section 3, all
Section 10, Lots 1-2, NE, E2NW;
Section 11, N2, N2S2
containing 3,291.0 Acres

Tract 2 T.12S., R.6 E., SLM, Utah
Sec. 25, lots 3 and 4, SW1/4NE1/4, W1/2SE1/4, SW1/4
Sec. 26, lots 1-4, N1/2S1/4, SW1/4SW1/4
Sec. 34, NE1/4NE1/4
Containing 770.52 Acres

Carbon County Coal Lease
Township 12 South, Range 6 East SLB&M
Section 25: E1/2SE1/4, SE1/4NE1/4
Section 36: N1/2N1/2
S1/2SW1/4
containing 360.0 Acres

Township 13 South, Range 6 East SLB&M
Section 1: W1/2
Section 12: NW1/4NW1/4, SW1/4SW1/4
Section 24: Portion of W1/2 NE1/4
containing 465 Acres more or less

Pacificorp Coal Lease

Township 14 South, Range 6 East, SLB&M
Section 2: Lots 1, 2, 3, and 4; S1/2N1/2; S1/2 (All)
Section 3: Lots 1 and 2; S1/2NE1/4; E1/2SE1/4; E1/2W1/2SE1/4;
NW1/4NW1/4SE1/4
containing 925.16 acres more or less

C&B Energy

Township 13 South, Range 6 East SLB&M
Section 12: NW1/4SW1/4, SW1/4NW1/4, NE1/4NW1/4
containing 120 acres more or less

Canyon Fuel Company, LLC (formerly Hanson Natural Resources)

Township 12 South, Range 6 East SLB&M
Section 36: N1/2SW1/4, S1/2NW1/4, SW1/4NE1/4, NW1/4SE
containing 240 acres more or less

Revised 10-1-13
Federal Coal Lease Serial # UTU - 77114

T.13 S., R.6 E., SL Meridian, Utah

Section 21, lots 1-4, E1/2E1/2;
Section 28, Lots 1-8, S1/2NW1/4, SW1/4;
Section 33, E1/2, E1/2W1/2, NW1/4NW1/4, SW1/4SW1/4;

T. 14 S., R.6 E, SL Meridian, Utah
Section 4, lots 1-4, S1/2N1/2, S1/2;
Section 5, lots 1-4, S1/2N1/2, S1/2;

Containing 2,692.16

- A copy of Lease UTU-77114 is located in Chapter 1 Appendix 118A

Cunningham / Tracy Coal Lease(s) joint ownership

Township 14 South, Range 6 East SLB&M

Section 3: Lots 3 & 4; S1/2 NW1/4; SW1/4; W1/2 SW1/4 SE1/4;
SW1/4 NW1/4 SE1/4

containing 46.68 acres more or less

- Copies of the respective Memorandum of Lease are located in Chapter 1, Appendix 118A

Revised 12-30-16

1-32(a)
The leases above listed are subject to that certain Exchange Agreement date September 9, 1975 between Valley Camp of Utah, Inc. (now White Oak Mining and Construction) and Energy Fuels Corporation, a Colorado corporation. The effect of the Exchange Agreement was to transfer the ownership of coal rights such that Energy Fuels Corporation (now owned by Canyon Fuel Company, LLC) owns or controls the coal which is located north and west of the Connelville Fault. The Connelville Fault is the south-easterly boundary of the Skyline permit area, and the general location of the fault is shown on Drawing 1.6-1. Actual location of the fault may vary when encountered throughout actual mining operations. Where discrepancies exist between written text and field conditions, field conditions governed by a mutually acceptable agreement with White Oak Mining Company. The result of this agreement is that only a portion of the originally leased property is controlled by Canyon Fuel Company, LLC and is included in the permit area.

The right to enter the leaseholds conveyed by the Federal Coal leases in conferred to the lessees by the Mineral Leasing Act of 1920 and leases themselves. Approximately 10,611.41 acres are contained in the leaseholds of the leases (DWG No. 1.6-3). This is an Autocad® generated number and the actual acreage may vary from this number with an actual ground survey. Due to limiting factors of "no or thin coal areas and vertical seam proximity area," restrictions of the Exchange Agreement or other restraints, underground coal mining will occur only on a portion of the Federal leases.

The right to enter the leasehold conveyed by Pacific Corporation is conferred to the lessees by the contract entered by the two parties on February 1, 1999, a copy of which is included in Appendix 117a of this chapter. The rights to enter the leaseholds in Section 12, T13S, R6E conveyed by Carbon County and C&B Coal were conferred to the lessees by the contract entered by the parties on July 30, 2002, a copies of which is included in Appendix 117a.

The permit area will include, in addition to leaseholds of the Federal Coal leases, areas for access roads, conveyor belts, utilities and facilities for loading unit trains and associated facilities. Rights-of-way and surface easements acquired originally by Coastal States Energy Company and Skyline Coal Company, and now owned by Canyon Fuel Company, LLC, allow, among other rights, the right to construct, operate, and maintain coal storage and train load-out facilities at the mouth of Eccles Canyon. These rights to enter, construct, operate, and maintain facilities were conferred by:

(1) Surface lease and easement agreements dated August 6, 1976 and April 24, 1981 and entered into by and between Helen, Nick, and Koula Marakis and Kanawha and Hocking Coal and Coke company allow the exclusive use and possession of the surface of the subject lands for purposes of granting access to and ingress and egress to and from other properties as well as other rights incidental to the transportation of coal across the leased acreage.

INCORPORATED

JAN 03 2014
Div. of Oil, Gas & Mining

A Lease Agreement dated June 10, 1982 between Fotini Telonis, et al, and the Permittee grants the Permittee the right to use a 27.83 acre parcel located near Scofield, Utah, as a waste rock disposal site. The lease was amended both in August 2006 and March 2007 to increase the parcel to approximately 37.48 acres. See Appendix A in Section 3.2 for lease.

A Quitclaim Deed dated May 24, 1991, from Kanawha and Hocking Coal and Coke Company to Coastal States Energy Company (and now Canyon Fuel Company, LLC) which deed conveyed to Coastal 42.57 acres of surface lands located in the S1/2SE1/4 of Section 17, T.13S., R.7E., SLB&M.

A lease dated June 9, 2010, between the D. Euray Allred Family Trust and Ark Land Company, grants the use of approximately 12.7 acres of surface lands to Ark Land Company, located in the N1/2 of Section 1, T.13S., R.6E., SLB&M. Both Ark Land Company and Canyon Fuel Company are wholly owned subsidiaries of Arch Coal, Inc. Ark Land Company in turn will conduct an inter-company perpetual and exclusive lease with Canyon Fuel Company, LLC. - Skyline Mine. The parcel is located in Winter Quarters Canyon approximately two (2) miles west of Scofield, Utah, as the Winter Quarters Ventilation Facility (WQVF). Additionally, the lease identifies "Easement Lands" which grants use of the road accessing the leased acres. See Appendix 118-A, Volume 1 of the M&RP for the easement. This lease was transferred to Canyon Fuel Company, LLC in 2013.

Power Line Addition

A parcel of land in Section 25 and 36, Township 13 South, Range 6 East, Salt Lake Base & Meridian, Carbon and Emery Counties.

Commencing at the Section Corners of 25, 26, 35, and 36, Township 13 South, Range 6 East, Salt Lake Base & Meridian, thence East along the North boundary of Section 36 for a distance of 500 feet, more or less, thence S20° 00' 00" W for a distance of 1,000 feet, more or less, herein called the point of beginning of the tract; thence N84° 20' 19" E a distance of 44.21 feet; thence N89° 08' 31" E a

Revised 10-1-13
1-34
distance of 313.62 feet; thence S78° 31’ 42” E a distance of 394.22 feet; thence S67° 59’ 19” a distance of 162.86 feet; thence S67° 11’ 48” E a distance of 184.95 feet; thence S68° 35’ 22” E a distance of 7.51 feet; thence S68° 17’ 21” E a distance of 16.44 feet; thence N14° 02’ 53” E a distance of 13.25 feet; thence N 17° 36’ 35” W a distance of 64.21 feet; thence N16° 35’ 52” W a distance of 101.75 feet; thence N04° 54’ 23” W a distance of 110.10 feet; N15° 34’ 28” E a distance of 118.15 feet; thence N43° 46’ 10” E a distance of 1,079.17 feet; thence N51° 35’ 31” E a distance of 860.51 feet; thence N21° 49’ 54” W a distance of 0.62 feet; S51° 35’ 33” W a distance of 860.56 feet; thence S43° 45’ 55” W a distance of 1,079.56 feet; thence S15° 34’ 30” W a distance of 118.17 feet; S04° 54’ 20” E a distance of 110.32 feet; thence S19° 32’ 19” E a distance of 102.69 feet; thence S17° 39’ 42” E a distance of 63.38 feet; thence S15° 04’ 51” W a distance of 12.36 feet; thence N67° 17’ 42” W a distance of 205.91 feet; thence N67° 52’ 22” W a distance of 49.97 feet; thence N67° 58’ 39” W a distance of 114.38 feet; thence N68° 31’ 43” W a distance of 394.17 feet; thence S89° 10’ 54” W a distance of 313.96 feet; thence S84° 21’ 11” W a distance of 44.32 feet; thence S05° 39’ 41” E a distance of 4.00 feet; which is the point of beginning and containing .3 acres, more or less.

Swens Canyon Ventilation Facility Power Line

The following is a tract of land identified for use of an approximately 15-foot wide power line corridor located in Sections 13, 23, 24, 26, and 27, Township 13 South, Range 6 East, Salt Lake Base and Meridian, Carbon County, Utah, being further described as follows:

Commencing at a point North 539 feet and East 171 feet from the SW Corner of the SE Quarter of Section 13, Township 13S, Range 6E, SL & B&M; thence South AZ194°05’06” 1353.94 feet; thence Southwest AZ246°45’44” 806.76 feet; thence Southwest AZ228°18’40” 1538.71 feet; thence South AZ203°38’57” 840.30 feet; thence South AZ194°56’30” 304.65 feet; thence South AZ200°43’30” 318.25 feet; thence South AZ204°57’15” 299.05 feet; thence South AZ217°21’11” 296.38 feet; thence Southwest AZ238°52’04” 344.64 feet; thence Southwest AZ235°18’51” 295.98 feet; thence Southwest AZ221°22’06” 165.64 feet; thence Southwest AZ224°28’34” 136.90 feet; thence Southwest AZ243°34’57” 2641.97 feet; thence Southwest AZ236°35’49” 774.17 feet; thence Southwest AZ248°37’17” 713.48 feet; thence Southwest AZ248°00’31” 628.18 feet; thence West AZ267°52’29” 678.96 feet; thence West AZ263°46’14” 882.25 feet; thence Southwest AZ249°41’06” 879.10 feet terminating at the Swens Canyon Ventilation Facility, containing approximately 4.8 acres.

Swens Canyon Ventilation Facility

The following is a tract of land identified for use of Swen’s Canyon Ventilation facility located in Section 27, Township 13 South, Range 6 East, Salt Lake Base and Meridian, Emery County, Utah, being further described as follows:

Commencing at a point North 371 feet and East 1165 feet from the SW Corner of the NW Quarter of Section 27, Township 13S, Range 6E SL & B&M; thence S 77° 42’22” W a distance of 308.61 feet; thence S 86° 57’04” W a distance of 88.39 feet; thence N 45° 45’53” W a distance of 65.80 feet; thence S 85° 43’18” W a distance of 27.33 feet; thence S 32° 22’53” W a distance of 95.38 feet; thence N 87° 14’47” W a distance of 119.14 feet; thence N 45° 39’40” W a distance of 39.16 feet; thence N 10° 57’32” W a distance of 82.42 feet; thence N 17° 08’15” E a distance of 37.69 feet; thence N 08° 39’36” W a distance of 61.01 feet; thence N 20° 03’53” E a distance of 64.25 feet; thence N 43° 52’26” E a distance of 42.86 feet; thence N 56° 32’37” W a distance of 99.99 feet; thence N 11° 01’26” W a distance of 81.19 feet; thence N 42° 42’26” E a distance of 59.67 feet; thence N 20° 25’41” E a distance of 108.40 feet; thence N 22° 10’07” W a distance of 311.68 feet; thence N 04° 38’06” E a distance of 48.63 feet; thence N 50° 44’06” E a distance of 79.10 feet; thence N 66° 36’00” E a distance of 175.79 feet; thence S 85.34’34” E a distance of 85.93 feet; thence S 42° 30’17” E a distance of 127.19 feet; thence S 16° 29’23” E a distance of 179.80 feet; thence S 25° 20’01” E a distance of 97.04 feet; thence S 00° 20’34” E a distance of 260.29 feet; thence S 31° 04’06” E a distance of 96.88 feet; thence S 11° 21’34” E a distance of 73.97 feet; thence S 23° 13’59” W a distance of 74.28 feet; thence S 50° 41’30” W a distance of 44.46 feet; thence S 23° 21’51” E a distance of 42.73 feet; thence N 78° 36’10” W a distance of 234.28 feet; thence S 19° 03’57” E a distance of 69.93 feet to the true point of beginning and containing approximately 9.63 acres.

Revised 5-27-16

INCOMPORATED

JUL 1 9 2016
Div. of Oil, Gas & Mining

1-34(a)
The facilities to be constructed on the surface easements and rights-of-way are a part of the Skyline Mines and these areas of surface use are to be included in the permit area as shown on Drawing 1.6-1.

The Lawrence Reservoir (Drawing 1.6-1), proposed in 1938, was never developed. Efforts to pursue the project were discontinued and resulted in case file closure by the Utah State Engineer's Office on August 8, 1961. When Federal Coal Lease Utah 044076 was issued, the site area of the proposed Lawrence Reservoir was excluded from the leased premises. On March 27, 2001, the Lawrence Reservoir area was added to Federal Coal Lease Utah-044076 by the BLM. In a letter dated March 17, 2003 and sent certified mail to Skyline Mine, the BLM approved longwall recovery of the 12 Left "A" panel that underlies a portion of the now-abandoned Lawrence Reservoir site. The BLM further determined that impacts related to subsiding this area had been adequately addressed in previous NEPA documents. The BLM approval also had 5 stipulations with which the operator will comply. Copies of the letters addressed to CFC from the BLM stating that the reservoir site is within Federal Coal Lease Utah-044076 and discussing the stipulations related to mining this portion of the lease are included as Exhibit 1.14-3.

Due to the great volume of documents involved with the ownership, right-of-entry, etc. of the Skyline properties, photocopies of the agreements have not been included in this Notice. The relevant documents are presently maintained at the offices of Canyon Fuel Company, LLC, Midvale, Utah, and at the Skyline Mine's office. Copies of the agreements can be viewed by interested persons during normal business hours.

Canyon Fuel Company, LLC holds no interest under any real estate contracts covering surface lands or other realty to be affected by mining activities at the Skyline Mines. Also, there are no purchasers of record under real estate contracts with respect to the Skyline properties.
Status of Unsuitability Claims [unchanged]

The Bureau of Land Management has included the proposed permit area in the Wattis Planning Unit Study to determine the results of the application of the Departmental Coal Unsuitability Criteria as mandated by the Federal Lands Review, Section 552(6) of the Surface Mining Control and Reclamation Act of 1977 (P.L. 95-87).

Canyon Fuel Company, LLC recognizes, however, that the permit area may possibly undergo further examination during some phase of the permitting process to determine if it should be designated as an area unsuitable for mining. Canyon Fuel Company, LLC believes that the environmental baseline information contained in Volume 1 clearly demonstrates that the permit area should not be so designated as an area which is unsuitable for mining.

Canyon Fuel Company, LLC does not propose to conduct or locate surface facilities within 300 feet of any occupied dwellings. The disturbed area boundary for the Swens Canyon Ventilation Shaft fluctuates between 120-150 feet from SR-264.

116 Permit Term

The following information is presented to identify permit term requirements and stipulations.

The Date of Construction commenced on June 24, 1980 upon approval of the Mining and Reclamation Plan.

Although the initial permit application covered only a five year period of mining, the information presented below estimates the anticipated mining for the life of the mining operation.

<table>
<thead>
<tr>
<th>Mine No. 1</th>
<th>Mine No. 2</th>
<th>Mine No. 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Termination of Mining</td>
<td>Dec., 2012</td>
<td>Dec., 2015</td>
</tr>
<tr>
<td>Horizontal Extent of Mine Workings (Life of Mine)</td>
<td>3,956 acres</td>
<td>312.58 acres</td>
</tr>
<tr>
<td>Revised 5-27-16</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The anticipated number of total surface land acres to be affected (life of mines) is less than the combined total of the affected acreages for each of the three mines due to the overlapping of mining operations which is inherent to this multi-seam mining operation. The total surface acreage to be disturbed by surface facilities associated with underground mining is 139.81 acres.

The following information was based on projection for the next five years (2012-2016).

<table>
<thead>
<tr>
<th>Extent of Horizontal Workings</th>
<th>Mine No. 1</th>
<th>Mine No. 2</th>
<th>Mine No. 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>240 acres</td>
<td>375 acres</td>
<td>1,400 acres</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Extent of Vertical Workings</th>
<th>Surface to</th>
<th>Surface to</th>
<th>Surface to</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,250'</td>
<td>2,250'</td>
<td>2,125'</td>
<td></td>
</tr>
</tbody>
</table>

**Permit Area**

The construction/installation of surface facilities at the mine site, loading area, conveyor belt route, well houses, water tank pad, waste rock disposal site, and South Fork Breakout, and Winter Quarters Ventilation Facility comprise the Permit Area. The permit area acreage listed adequately accommodate areas of disturbance.

**PERMIT AREAS TO BE RECLAIMED**

<table>
<thead>
<tr>
<th>AREA</th>
<th>ACREAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loadout</td>
<td>13.86</td>
</tr>
<tr>
<td>Portal Yard</td>
<td>42.55</td>
</tr>
<tr>
<td>Water tanks, water lines, and Well pads</td>
<td>0.60</td>
</tr>
<tr>
<td>(water lines not reclaimed)</td>
<td></td>
</tr>
<tr>
<td>Conveyor Bench</td>
<td>14.18</td>
</tr>
<tr>
<td>Waste Rock Disposal Site and Road</td>
<td>32.48</td>
</tr>
<tr>
<td>South Fork Breakout</td>
<td>0.60</td>
</tr>
<tr>
<td>James Canyon Buried Power Line</td>
<td>0.30</td>
</tr>
<tr>
<td>James Canyon Buried Pipeline</td>
<td>1.60</td>
</tr>
<tr>
<td>James Canyon Water Wells and Road</td>
<td>2.95</td>
</tr>
<tr>
<td>Winter Quarters Ventilation Facility</td>
<td>7.93</td>
</tr>
<tr>
<td>Winter Quarters Road (not reclaimed)</td>
<td>4.90</td>
</tr>
<tr>
<td>North of Graben (NOG) Shaft</td>
<td>3.00</td>
</tr>
<tr>
<td>Swens Power line (not reclaimed)</td>
<td>4.80</td>
</tr>
<tr>
<td>Swens Canyon Pad</td>
<td>9.70</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>139.45</strong></td>
</tr>
</tbody>
</table>

Revised 10-13-2017
Legal Description of Areas Authorized for Coal Mining and Reclamation Activities Adjacent Area

Township 12 South, Range 6 East, SLBM

Section 25: SE¼NE ¼, S½SE¼, lots 3 and 4, SW¼NE¼, W½SE¼, SW¼
Section 26: S½SE¼, SE¼SW¼, lots 1-4, N½S½, SW¼SW¼
Section 34: Portions of the S½N½, S½, NE¼NE¼
Section 35: All
Section 36: W½, N½NE¼, SW¼NE¼, NW¼SE ¼, N½NE¼

Township 12 South, Range 7 East, SLBM

Section 32: Portions of SE¼SE¼

Township 13 South, Range 6 East, SLBM

Section 1: Portions of S½NE¼, W½
Section 2: All
Section 3: All
Section 10: All
Section 11: All
Section 12: W½SW¼, W½NW¼, NE¼NW¼
Section 13: W½, portions S½SE¼
Section 14: All
Section 15: W½NE¼
Section 21: lots 1-4, E1/2E1/2
Section 22: All
Section 23: W½, NE¼, W½SE ¼
Section 24: NW¼, portions of NE¼
Section 25: Portions of SE¼SW¼
Section 26: W½, W½E½
Section 27: All
Section 28: lots 1-8, S1/2NW1/4, SW1/4
Section 33: E1/2, E1/2W1/2, NW1/2NW1/2, SW1/2SW1/4
Section 34: All
Section 35: All
Section 36: Portions of N½NW¼

Township 13 South, Range 7 East, SLBM

Section 4: Portions of W½,
Section 5: Portions of NE¼
Section 6: Portions of S½N½

Section 17: Portions of S½S½
Section 18: Portions of S½S½
Section 19: Portions of N½NW

Township 14 South, Range 6 East, SLBM

Section 2: W½NW¼
Section 3: E½NE¼
Section 4: lots 1-4, S1/2N1/2, S1/2
Section 5: lots 1-4, S1/2N1/2, S1/2

Total acres approved for Underground Coal Mining and Reclamation activities: 13,425.54

The acreage of 10,733.38 acres is an AutoCad ® generated number from drawing number 1.6-3. The acreage includes active leases and areas within the permit boundary. The acreage does not include the ½-mile buffer identified around the Waste Rock disposal site.

Revised 12-30-16
Legal Description of Areas Authorized for Coal Mining and Reclamation Activities Adjacent Area

Township 12 South, Range 6 East, SLBM

Section 25: SE 1/4, S 1/4 SE 1/4, lots 3 and 4, SW 1/4 NE 1/4, W 1/4 SE 1/4, SW 1/4
Section 26: S 1/4 SE 1/4, SE 1/4 SW 1/4, lots 1-4, N 1/4 S 1/4, SW 1/4 SW 1/4
Section 34: Portions of the S 1/4 N, S 1/4, NE 1/4 NE 1/4
Section 35: All
Section 36: W 1/4, N 1/4 NE 1/4, SW 1/4 NE 1/4, NW 1/4 SE 1/4, N 1/4 NE 1/4

Township 12 South, Range 7 East, SLBM

Section 32: Portions of SE 1/4 SE 1/4

Township 13 South, Range 6 East, SLBM

Section 1: W 1/4, portions of S 1/4 NE 1/4
Section 2: All
Section 3: All
Section 10: All
Section 11: All
Section 12: W 1/4 SW 1/4, W 1/4 NW 1/4, NE 1/4 NW 1/4
Section 13: W 1/4, portions S 1/4 SE 1/4
Section 14: All
Section 15: E 1/4 NE 1/4
Section 22: All
Section 23: W 1/4, NE 1/4, W 1/4 SE 1/4
Section 24: NW 1/4, portions of NE 1/4
Section 25: Portions of SE 1/4 SW 1/4
Section 26: W 1/4, W 1/4 SE 1/4
Section 27: All
Section 34: All
Section 35: All
Section 36: Portions of N 1/4 NW 1/4

Township 13 South, Range 7 East, SLBM

Section 4: Portions of W 1/4
Section 5: Portions of NE 1/4
Section 6: Portions of S 1/4 S 1/4
Section 17: Portions of S 1/4 S 1/4
Section 18: Portions of S 1/4 S 1/4
Section 19: Portions of N 1/4 NW

Township 14 South, Range 6 East, SLBM

Section 2: W 1/4 NW 1/4
Section 3: E 1/4 NE 1/4

Total acres approved for Underground Coal Mining and Reclamation activities: 10,733.38

The acreage of 10,733.38 acres is an AutoCad ® generated number from drawing number 1.6-3. The acreage includes active leases and areas within the permit boundary. The acreage does not include the ½-mile buffer identified around the Waste Rock disposal site.

Revised 3-23-15
A copy of an updated Certificate of Liability Insurance is attached as Appendix 117-A. Pursuant to Utah Admin. Directive # ADM-004, a change in ownership and control that does not result in a change in the permittee’s name is not treated as a permit transfer. Accordingly, no proof of publication is required. The proof of publication and newspaper advertisements required in connection with the permit application are on file with the Utah Division of Oil Gas and Mining. The affidavit for the North Lease is provided in Volume 1, Part 1, Legal & Financial Information.

118 Filing Fee

Pursuant to Utah Admin. Directive # ADM-004, a change in ownership and control that does not result in a change in the permittee’s name is not treated as a permit transfer. Accordingly, no filing fee is required for this Notice of Change of Ownership. Evidence of payment of the filing fee required in connection with the permit application is on file with the Utah Division of Oil Gas and Mining.
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 the permit application and this Notice of Change of Ownership and Control Information to be complete and correct.
APPENDIX 117-A
AFFIDAVIT OF PUBLICATION

STATE OF UTAH

ss.
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 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 6th day of April, 2010, and that the last publication of such notice was in the issue of such newspaper dated the 27th day of April 2010.

Richard Shaw - Publisher

Subscribed and sworn to before me this 27th day of April, 2010.

Linda Thayn - Notary Public

My commission expires January 10, 2011 Residing at Price, Utah

Publication fee, $ 499.20

PUBLIC NOTICE

Canyon Fuel Company, LLC, of Grand Junction, Colorado, has filed a complete application with the Division of Oil, Gas and Mining (DOGM) for a revision of the existing Mining and Reclamation Plan, C/007/005 for the Skyline Mine. The mine is located approximately 6 miles southwest of the town of Scofield, Utah in Eccles Canyon.

The revision includes the addition of a ventilation facility and 7.93 permitted acres located approximately 2 miles up the Winter Quarters Canyon west of the town of Scofield, Utah. Upon approval, DOGM will revise the permit to include the ventilation facility in the permit area.

According to the Scofield, Utah, USGS 7.5 minute topographic map, the Winter Quarters Ventilation Facility location is defined as follows:

PROPOSED PERMIT AREA MODIFICATION

Section 1, Township 13 South, Range 6 East, Salt Lake Base Meridian

Beginning at a point located at the centerline of Winter Quarters Creek which is 2,290 feet south and 1,482 feet west from the northeast corner of Section 1, Township 13 South, Range 6 East, Salt Lake Base Meridian; thence North 190 feet; thence West 1,466 feet; thence South 317 feet to the centerline of Winter Quarters Creek; thence easterly approximately 1,479 feet along the centerline of Winter Quarters Creek to the point of beginning.

A copy of the 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 84114

Carbon County Courthouse
120 East Main Street
Price, Utah 84501

The address of the applicant is:

Canyon Fuel Company, LLC
225 North 5th Street, Suite 900
Grand Junction, Colorado 81501
Phone: (970) 263-5130

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 April 6, 13, 20 and 27, 2010.
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 3rd day of October, 2002, and that the last publication of such notice was in the issue of such newspaper dated the 24th day of October, 2002.

Ken G Larson
Ken G Larson - Publisher

Subscribed and sworn to before me this 24th day of October, 2002.

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

Publication fee, $752.64

PUBLIC NOTICE

Canyon Fuel Company, LLC, of Salt Lake City, Utah, has filed a complete application with the Division of Oil, Gas and Mining for a revision of the existing Mining and Reclamation Plan, C/007/005 for the Skyline Mines. The mines are located approximately 6 miles southwest of the town of Scofield, Utah. The revision includes the addition of acreage associated with Federal Coal Lease, Serial # UUTU-67329 (North Lease). The North Lease is located in the vicinity of Winter Quarters Canyon. The addition of this area will increase the permit area and underground workings for the Skyline Mines by 3,245 acres, with no additional surface disturbance proposed. Upon approval, DOGM will issue a new permit for the entire permit area, including the extension area.

According to the Scofield, Utah, USGS 7.5 minute topographic map, the North Lease area location is defined as follows:

PROPOSED PERMIT EXTENSION AREA

Township 12 South, Range 6 East, SLBM
Section 28, S2E, SSW
Section 34, Lot 1, SE1/4, SENW, E2, SWNW, NW
Section 35, All

Township 13 South, Range 6 East, SLBM
Section 2, All
Section 3, All
Section 10, Lots 1-2, NE, E2NW
Section 11, NW1/4, SE, NW

CURRENT PERMIT AREA

Pikes Peak

Township 13 South, Range 6 East, SLBM
Section 10, Portion
Section 11, Portion
Section 13, Portion
Section 14, Portion
Section 18, Portion
Section 19, Portion
Section 20, Portion

Salt Lake City, Utah 84114

The address of the applicant is: Canyon Fuel Company, LLC
6555 South Union Park Center, Suite 540
Midvale, Utah 84047
Phone: (801) 569-4700

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 October 3, 10, 17 and 24, 2002.

INCORPORATED

DEC 02 2002

DIV OF OIL GAS & MINING
AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

 County of Emery,)

I, Ken Larson, on oath, say that I am the Publisher of the Emery County Progress, a weekly newspaper of general circulation, published at Castle Dale, 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 8th day of October, 2002 and that the last publication of such notice was in the issue of such newspaper dated the 29th day of October, 2002.

Ken G Larson - Publisher

Subscribed and sworn to before me this 29th day of October, 2002.

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

Publication fee, $ 539.52
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 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 1st day of May, 2001, and that the last publication of such notice was in the issue of such newspaper dated the 3rd day of May, 2001.

Kevin Ashby - Publisher

Subscribed and sworn to before me this 3rd day of May, 2001.

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

Publication fee, $ 121.76

LEGAL NOTICE

Canyon Fuel Company, LLC, of Salt Lake City, Utah, hereby announces its intention to blast within 100 feet of SR-264. The currently approved mining permit is number ACT/007/005.

Canyon Fuel Company, LLC, operates the Skyline Mines which are located four miles southwest of Scofield, Utah, in Eccles Canyon, within the southwest quarter of Section 13, Township 13 South, Range 6 East, Salt Lake Base & Meridian.

Skyline Mines plans to installation of a mine ventilation fan at an existing portal in the southwest corner of the lower mine pad. The fan installation is adjacent to SR-264. The installation will require a minimum amount of blasting for creation of the fan foundation. The blasting will take place during daylight hours and the necessary safety precautions will be enforced. All blasting will be done according to the blasting plan as approved in the Mining and Reclamation Plan. The area of the construction site is already included in the Skyline Mine permit area.

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 a hearing regarding the blasting for the fan foundation must be made within 30 days of the last publication of this notice, and may be addressed to the Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, Salt Lake City, Utah 84114-5801.

Published in the Sun Advocate May 1 and 3, 2001.
Legal Notice

Canyon Fuel Company, LLC, of Salt Lake City, Utah, hereby announces its intention to amend its coal mining permit under the laws of the State of Utah and the U.S. Office of Surface Mining. The currently approved mining permit is number ACT/007/005.

Canyon Fuel Company, LLC, operates the Skyline Mines which are located four miles southwest of Scofield, Utah, in Eccles Canyon, within the southwest quarter of Section 13, Township 13 South, Range 6 East, Salt Lake Base & Meridian.

The intended amendment is the addition of 0.64 acres located directly south across SR-264 from the eastern-most entrance to the Skyline Mines facilities, and adjacent to SR-264. This area will be used as a snow storage pad during the winter months. This area is to be included in the Skyline Mine permit area.

The address of the applicant is: Canyon Fuel Company, LLC
6955 South Union Park Center, Suite 540
Midvale, Utah 84047
Phone: (801) 569-4700

After filing, copies of this permit amendment will be available for inspection at the following locations: Utah Division of Oil, Gas and Mining, Price Field Office, College of Eastern Utah, Career Center Room 115, 451 East 400 North, Price, Utah, and the Carbon County Clerk’s Office, Carbon County Courthouse, Price, Utah.

Written comments or requests regarding this permit amendment must be made within 30 days of the last publication of this notice, and may be addressed to the Division of Oil, Gas and Mining, College of Eastern Utah, 451 East 400 North, Box 156, Price, Utah 84501.
IN REPLY REFER TO
3425
UTU-67939
(UT-932)

CERTIFIED Mail--Return Receipt Requested

DECISION

Coastal States Energy Company
175 East 400 South, Suite 800
Salt Lake City, Utah  84111

Coal Lease
UTU-67939

Lease Issued
Bond Accepted

Pursuant to the lease by application sale held May 30, 1996, the bid of Coastal States Energy Company for the Winter Quarters Tract, assigned serial no. UTU-67939, was determined to be the acceptable high bid. Satisfactory evidence of the qualifications and holdings of Coastal States Energy Company is on file; therefore, coal lease UTU-67939 is hereby issued effective September 1, 1996.

A surety bond of $4,490,000 was filed in this office August 2, 1996. The name of the surety is United Pacific Insurance Company, and the surety bond no. is U2644533. The bond is hereby accepted, as of September 1, 1996.

Enclosure
Coal Lease UTU-67939

Christopher J. Merritt
Acting Group Leader,
Minerals Adjudication Group
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

COAL LEASE

PART I. LEASE RIGHTS GRANTED

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

hereinafter called lessee, is effective [date] for a period of 20 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 the 20th lease year and each 10-year period thereafter.

Sec. 1. This lease is issued pursuant and 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. Lessee, in consideration of any bonuses, 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 following described lands:

T. 12 S., R. 6 E., SLM, Utah
- Sec. 26, S2SE, SESW;
- Sec. 34, lots 1-4, S2NE, S2NW, E2SWNW, N2S2;
- Sec. 35, all.

T. 13 S., R. 6 E., SLM, Utah
- Sec. 2, all;
- Sec. 3, all;
- Sec. 10, lots 1-2, NE, E2NE;
- Sec. 11, N2, N2S2.

containing 3,291.00 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 of land thereof during the continuance of the lease at the rate of $5.00/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 $4,490,000. The authorized officer may require an increase in this amount when additional coverage is determined appropriate.

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 lessee, 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. Lessee shall submit an operation and reclamation plan pursuant to Section 7 of the Act not later than 3 years after lease issuance.

Lessee 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 lessee of the lessee's application or at the direction of the lessee, 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.
SEE ATTACHED STIPULATIONS

Coastal States Energy Company

Company or Lessee Name

V. Montensen

(Signature of Lessee)

Senior Vice President

(Date)

August 1, 1996

By Bureau of Land Management

Christopher J. Marrett

(Signing Officer)

Acting Group Leader, Minerals Adjudication Group

(Date)

August 5, 1996

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.

This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require OMB approval.
The Regulatory Authority shall mean the State Regulatory Authority pursuant to a cooperative agreement approved under 30 CFR Part 745 or in the absence of a cooperative agreement, Office of Surface Mining. The authorized officer shall mean the State Director, Bureau of Land Management. The authorized officer of the Surface Management Agency shall mean the Forest Supervisor, Forest Service. Surface Management Agency for private surface is the Bureau of Land Management. For adjoining private lands with Federal minerals and which primarily involve National Forest Service issues, the Forest Service will have the lead for environmental analysis and, when necessary, documentation in an environmental assessment or environmental impact statement.

2. The authorized officers, of the Bureau of Land Management, Office of Surface Mining (Regulatory Authority), and the Surface Management Agency (Forest Service) respectively, shall coordinate, as practical, regulation of mining operations and associated activities on the lease area.

3. 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.

4. Federal Regulations 43 CFR 3400 pertaining to Coal Management make provisions for the Surface Management Agency, the surface of which is under the jurisdiction of any Federal agency other than the Department of Interior, to consent to leasing and to prescribe conditions to insure the use and protection of the lands. All or part of this lease contain lands the surface of which are managed by the United States Department of Agriculture, Forest Service Manti-LaSal National Forest.

The following stipulations pertain to the lessee responsibility for mining operations on the lease area and on adjacent areas as may be specifically designated on National Forest System lands.

5. 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 appropriate authorities. 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.
6. 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.

7. 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.

8. 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.

9. The limited area available for mine facilities at the coal cutcrop, steep topography, adverse winter weather, and physical limitations on the size and design of the access road, are factors which will determine the ultimate size of the surface area utilized for the mine. A site specific environmental analysis will be prepared for each new mine site development and for major modifications to existing developments to examine alternatives and mitigate conflicts.

10. Consideration will be given to site selection to reduce adverse visual impacts. Where alternative sites are available, and each alternative is technically feasible, the alternative involving the least damage to the scenery and other resources shall be selected. Permanent structures and facilities will be designed, and screening techniques employed, to reduce visual impacts, and where possible achieve a final landscape compatible with the natural surroundings. The creation of unusual, objectionable, or unnatural land forms and vegetative landscape features will be avoided.

11. 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.

12. The lessee shall provide for the suppression and control of fugitive dust at the mine sites, roads and at coal handling and storage facilities. On Forest Development Roads (FDR), lessees may perform their share of road maintenance by a commensurate share agreement if a significant amount of traffic is generated that is not related to their activities.
13. 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. The lessee shall provide specific measures for the protection of escarpments, and determine corrective measures to assure that hazardous conditions are not created.

14. 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.

15. If removal of timber is required for clearing of construction sites, etc., such timber shall be removed in accordance with the regulations of the surface management agency.

16. The coal contained within, and authorized for mining under this lease, shall be extracted only by underground mining methods.

17. Existing Forest Service owned or permitted surface improvements will need to be protected, restored, or replaced to provide for the continuance of current land uses.

18. In order to protect big game wintering areas, elk calving and deer fawning areas, sage grouse strutting areas, and other critical wildlife habitat and/or activities, specific surface uses outside the mine development area may be curtailed during specific periods of the year.

19. 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 re-established, and the areas returned to a premining land use.

20. The lessee at the conclusion of the mining operations, 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 a professional land surveyor registered in the State of Utah and to the standards and guidelines found in the Manual of Surveying Instructions, U.S. Department of Interior.

21. The lessee at his expense will be responsible to replace any surface water identified for protection, that may be lost or adversely affected by mining operations, with water from an alternate source in sufficient quantity and quality to maintain existing riparian habitat, fishery habitat, livestock and wildlife use, or other land uses.

22. The lessee must comply with all the rules and regulations of the Secretary of Agriculture set forth at Title 36, Chapter II, of the Code of Federal Regulations governing the use and management of the National Forest System (NFS) when not inconsistent with the rights granted by the Secretary of the
Interior in the lease. The Secretary of Agriculture's rules and regulations must be complied with for (1) all use and occupancy of the NFS prior to approval of a permit/operation plan by the Secretary of Interior, (2) uses of all existing improvements, such as Forest Development Roads, within and outside the area licensed, permitted or leased by the Secretary of Interior, and (3) use and occupancy of the NFS not authorized by a permit/operation plan approved by the Secretary of the Interior.

All matters related to this stipulation are to be addressed to:

Forest Supervisor  
Manti-LaSal National Forest  
599 West Price River Drive  
Price, Utah 84501  

Telephone No.: 801-637-2817

who is the authorized representative of the Secretary of Agriculture.

23. 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.

24. The unleased coal in this tract is included in the Utah Schools and Lands Improvement Act of 1993 (Public Law 103-93) as a Federal interest which the State of Utah may select to satisfy the value of the exchange of State for Federal lands authorized in the Act. In accordance with the Act, the Federal interest, i.e., the unleased coal, in this tract was offered to the State of Utah on October 20, 1993. Consummation of the exchange under the Act may, in the future, allow for the State of Utah to succeed to some or all of the United States interest in the tract.
Chris Hansen
Environmental Coordinator
Canyon Fuel Company, LLC
HC 35 Box 380
Helper, UT 84526

Dear Mr. Hansen:

Operations under Special Use Permit PRI25, installation of power line and communication cable along Monument Peak road, for which a surety bond was issued in the amount of $10,000.00 by CGU Insurance Company (Bond No. SB0073457) on October 11, 2001 have been completed and the file has been closed. The bond can now be cancelled at your convenience.

If you have any questions concerning this bond release, please contact Elaine Alexander at (435) 636-3567.

Sincerely,

[Signature]

ROD PLAYER
Acting Forest Supervisor

cc: CGU Insurance Company
U.S. DEPARTMENT OF AGRICULTURE
Forest Service
SPECIAL USE PERMIT
AUTHORIZED UNDER:
FEDERAL LAND POLICY AND MGMT ACT, AS AMENDED October 21, 1976

CANYON FUEL COMPANY, LLC of SKYLINE MINE, HC 35 BOX 380, HELPER, UT 84526 (hereinafter called the Holder) is hereby authorized to use or occupy National Forest System lands, to use subject to the conditions set out below, on the Manti-La Sal National Forest.

This permit covers .2 acres, and/or 0 miles and is described as: as shown on the location map attached to and made a part of this permit, and is issued for the purpose of:

Bury a 15KVA powerline along the Monument Peak Road (Forest System Road 50018) and the James Canyon Project Road to provide power to operate an electric pump at the drill pad in James Canyon above Electric Lake. Four ¾ inch diameter insulated lines will be buried 4 feet deep along the inside ditches of both roads (see maps and typicals in the special-use permit application). Power will be provided to the electric pump that is used to pump groundwater to the surface and discharged down James Canyon by gravity to Electric Lake via a water pipeline. The buried line originates at the electronic site on private lands on Trough Springs at the head of Boardinghouse Canyon and ends at Canyon Fuel's water well site in James Canyon.

This permit is for only that portion of the line from the private land to a point in James Canyon where the buried powerline enters to the leased coal lands in the Skyline Mine Permit Area (See Drawing No. 1.6-3, dated 9/24/2001) in the application amendment of 9/28/2001. The remainder of the buried powerline from this point to the water well was authorized under Canyon Fuel Company's approved Mining and Reclamation Plan. That portion of the buried power line authorized by this SUP starts in the SW1/4 of Section 25 and ends in the NW1/4 of Section 36 in T.13 S., R. 6 E., SLM, Emery County, Utah, an approximate lineal length of 2,300 feet.

ADDITIONAL REQUIREMENTS

- No construction operations will be allowed along the Monument Peak Road until after Questar has completed water haul necessary for the pipeline hydrostatic test and during the opening weekend of the rifle Deer Hunt starting on Friday October 19 and ending a daylight on Monday October 22.
- Traffic must be allowed to pass during installation of the buried powerline along the Monument Peak Road. Traffic delays are allowed for periods not to exceed 20 minutes.
- Materials excavated for ditch construction must be confined to the immediate area adjacent to the ditch such that through traffic is not obstructed.
- Excavated materials must remain separated from the road gravels. Separation can be achieved by placing these materials onto a geotextile or other approved material placed over the roadbed adjacent to the ditch. Contaminated and/or lost road gravels will be removed/replaced with crushed aggregate meeting Forest Service gradation "G" road gravels.
- Backfill materials placed in the powerline ditch must be compacted to 100% Standard Proctor.
- Restore the original contour of the inside ditch and road cutslope above the ditch with materials compacted to at least 95% Standard Proctor. Any disturbed areas outside of the roadbed must be revegetated with original species composition and density within 3 years of construction.
- Permittee must provide an operating plan that addresses traffic control, sediment control, and revegetation of disturbed areas throughout the project area. These plans are subject to Forest Service approval prior to implementation.
- All road drainage structures, including dips and culverts (inlet, outlet, and pipes) must be returned to original condition if damaged.
- Ground sleeves (junction boxes) will not be permitted along the Monument Peak Road.
The above described or defined area shall be referred to herein as the "permit area".

TERMS AND CONDITIONS

I. AUTHORITY AND GENERAL TERMS OF THE PERMIT

A. Authority. This permit is issued pursuant to the authorities enumerated at Title 36, Code of Federal Regulations, Section 251 Subpart B, as amended. This permit, and the activities or use authorized, shall be subject to the terms and conditions of the Secretary's regulations and any subsequent amendment to them.

B. Authorized Officer. The authorized officer is the Forest Supervisor or a delegated subordinate officer.

C. License. This permit is a license for the use of federally owned land and does not grant any permanent, possessory interest in real property, nor shall this permit constitute a contract for purposes of the Contract Disputes Act of 1978 (41 U.S.C. 611). Loss of the privileges granted by this permit by revocation, termination, or suspension is not compensable to the holder.

D. Amendment. This permit may be amended in whole or in part by the Forest Service when, at the discretion of the authorized officer, such action is deemed necessary or desirable to incorporate new terms, conditions, and stipulations as may be required by law, regulation, land management plans, or other management decisions.

E. Existing Rights. This permit is subject to all valid rights and claims of third parties. The United States is not liable to the holder for the exercise of any such right or claim.

F. Nonexclusive Use and Public Access. Unless expressly provided for in additional terms, use of the permit area is not exclusive. The Forest Service reserves the right to use or allow others to use any part of the permit area, including roads, for any purpose, provided, such use does not materially interfere with the holder's authorized use. A final determination of conflicting uses is reserved to the Forest Service.

G. Forest Service Right of Entry and Inspection. The Forest Service has the right of unrestricted access of the permitted area or facility to ensure compliance with laws, regulations, and ordinances and the terms and conditions of this permit.

H. Assignability. This permit is not assignable or transferable. If the holder through death, voluntary sale or transfer, enforcement of contract, foreclosure, or other valid legal proceeding ceases to be the owner of the improvements, this permit shall terminate.

I. Permit Limitations. Nothing in this permit allows or implies permission to build or maintain any structure or facility, or to conduct any activity unless specifically provided for in this permit. Any use not specifically identified in this permit must be approved by the authorized officer in the form of a new permit or permit amendment.

II. TENURE AND ISSUANCE OF A NEW PERMIT

A. Expiration at the End of the Authorized Period. This permit will expire at midnight on 12/31/2005. Expiration shall occur by operation of law and shall not require notice, any decision document, or any environmental analysis or other documentation.

B. Minimum Use or Occupancy of the Permit Area. Use or occupancy of the permit area shall be exercised at least 365 days each year, unless otherwise authorized in writing under additional terms of this permit.

C. Notification to Authorized Officer. If the holder desires issuance of a new permit after expiration, the holder shall notify the authorized officer in writing not less than six (6) months prior to the expiration date of this permit.

D. Conditions for Issuance of a New Permit. At the expiration or termination of an existing permit, a new permit may be issued to the holder of the previous permit or to a new holder subject to the following conditions:

1. The authorized use is compatible with the land use allocation in the Forest Land and Resource Management Plan.
2. The permit area is being used for the purposes previously authorized.
3. The permit area is being operated and maintained in accordance with the provisions of the permit.
4. The holder has shown previous good faith compliance with the terms and conditions of all prior or other existing permits, and has not engaged in any activity or transaction contrary to Federal contracts, permits laws, or regulations.

E. Discretion of Forest Service. Notwithstanding any provisions of any prior or other permit, the authorized officer may prescribe new terms, conditions, and stipulations when a new permit is issued. The decision whether to issue a new permit to a holder or successor in interest is at the absolute discretion of the Forest Service.

F. Construction. Any construction authorized by this permit may commence by 10/10/01 and shall be completed by 12/1/01. If construction is not completed within the prescribed time, this permit may be revoked or suspended.

III. RESPONSIBILITIES OF THE HOLDER

A. Compliance with Laws, Regulations, and other Legal Requirements. The holder shall comply with all applicable Federal, State, and local laws, regulations, and standards, including but not limited to, the Federal Water Pollution Control Act, 33 U.S.C. 1251 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. 6901 et seq., the Comprehensive Environmental Response, Control, and Liability Act, 42 U.S.C. 9601 et seq., and other relevant environmental laws, as well as public health and safety laws and other laws relating to the siting, construction, operation, and maintenance of any facility, improvement, or equipment on the property.

B. Plans. Plans for development, layout, construction, reconstruction, or alteration of improvements on the permit area, as well as revisions of such plans, must be prepared by a qualified individual acceptable to the authorized officer and shall be approved in writing prior to commencement of work. The holder may be required to furnish as-built plans, maps, or surveys, or other similar information, upon completion of construction.

C. Maintenance. The holder shall maintain the improvements and permit area to standards of repair, orderliness, neatness, sanitation, and safety acceptable to the authorized officer and consistent with other provisions of this authorization. If requested, the holder shall comply with inspection requirements deemed appropriate by the authorized officer.

D. Hazard Analysis. The holder has a continuing responsibility to identify all hazardous conditions on the permit area which would affect the improvements, resources, or pose a risk of injury to individuals. Any non-emergency actions to abate such hazards shall be performed after consultation with the authorized officer. In emergency situations, the holder shall notify the authorized officer of its actions as soon as possible, but not more than 48 hours, after such actions have been taken.

E. Change of Address. The holder shall immediately notify the authorized officer of a change in address.

F. Change in Ownership. This permit is not assignable and terminates upon change of ownership of the improvements or control of the business entity. The holder shall immediately notify the authorized officer when a change in ownership or control of business entity is pending. Notification by the present holder and potential owner shall be executed using Form SF-299 Application for Transportation and Utility Systems and Facilities of Federal Lands, or Form FS-2700-3a, Holder Initiated Revocation of Existing Authorization, Request for a Special Use Permit. Upon receipt of the proper documentation, the authorized officer may issue a permit to the party who acquires ownership of, or a controlling interest in, the improvements or business entity.

IV. LIABILITY

For purposes of this section, "holder" includes the holder's heirs, assigns, agents, employees, and contractors.

A. The holder assumes all risk of loss to the authorized improvements.

B. The holder shall indemnify, defend, and hold the United States harmless for any violations incurred under any such laws and regulations or for judgments, claims, or demands assessed against the United States in connection with the holder's use or occupancy of the property. The holder's indemnification of the United States shall include any loss by personal injury, loss of life or damage to property in connection with the occupancy or use of the property during the term of this permit. Indemnification shall include, but is not limited to, the value of resources damaged or destroyed; the costs of restoration, cleanup, or other mitigation; fire suppression or other types of
abatement costs; third party claims and judgments; and all administrative, interest, and other legal costs. This paragraph shall survive the termination or revocation of this authorization, regardless of cause.

C. The holder has an affirmative duty to protect from damage the land, property, and interests of the United States.

D. In the event of any breach of the conditions of this authorization by the holder, the authorized officer may, on reasonable notice, cure the breach for the account at the expense of the holder. If the Forest Service at any time pays any sum of money or does any act which will require payment of money, or incurs any expense, including reasonable attorney's fees, in instituting, prosecuting, and/or defending any action or proceeding to enforce the United States rights hereunder, the sum or sums so paid by the United States, with all interests, costs and damages shall, at the election of the Forest Service, be deemed to be additional fees hereunder and shall be due from the holder to the Forest Service on the first day of the month following such election.

E. With respect to roads, the holder shall be proportionally liable for damages to all roads and trails of the United States open to public use caused by the holder's use to the same extent as provided above, except that liability shall not include reasonable and ordinary wear and tear.

F. The Forest Service has no duty to inspect the permit area or to warn of hazards and, if the Forest Service does inspect the permit area, it shall incur no additional duty nor liability for identified or non-identified hazards. This covenant may be enforced by the United States in a court of competent jurisdiction.

V. TERMINATION, REVOCATION, AND SUSPENSION

A. General. For purposes of this permit, "termination", "revocation", and "suspension" refer to the cessation of uses and privileges under the permit.

"Termination" refers to the cessation of the permit under its own terms without the necessity for any decision or action by the authorized officer. Termination occurs automatically when, by the terms of the permit, a fixed or agreed upon condition, event, or time occurs. For example, the permit terminates at expiration. Terminations are not appealable.

"Revocation" refers to an action by the authorized officer to end the permit because of noncompliance with any of the prescribed terms, or for reasons in the public interest. Revocations are appealable.

"Suspension" refers to a revocation which is temporary and the privileges may be restored upon the occurrence of prescribed actions or conditions. Suspensions are appealable.

B. Revocation or Suspension. The Forest Service may suspend or revoke this permit in whole or part for:

1. Noncompliance with Federal, State, or local laws and regulations.
2. Noncompliance with the terms and conditions of this permit.
3. Reasons in the public interest.
4. Abandonment or other failure of the holder to otherwise exercise the privileges granted.

C. Opportunity to Take Corrective Action. Prior to revocation or suspension for cause pursuant to Section V (B), the authorized officer shall give the holder written notice of the grounds for each action and a reasonable time, not to exceed 90 days, to complete the corrective action prescribed by the authorized officer.

D. Removal of Improvements. Prior to abandonment of the improvements or within a reasonable time following revocation or termination of this authorization, the holder shall prepare, for approval by the authorized officer, an abandonment plan for the permit area. The abandonment plan shall address removal of improvements and restoration of the permit area and prescribed time frames for these actions. If the holder fails to remove the improvements or restore the site within the prescribed time period, they become the property of the United States and may be sold, destroyed or otherwise disposed of without any liability to the United States. However, the holder shall remain liable for all cost associated with their removal, including costs of sale and impoundment, cleanup, and restoration of the site.
VI. FEES

A. Termination for Nonpayment. This permit shall automatically terminate without the necessity of prior notice when land use rental fees are 90 calendar days from the due date in arrears.

B. The holder shall pay in advance a sum determined by the Forest Service to be the fair market value of the use granted by this authorization for a five (5) year period. The payment is set at $225.00 for the initial five (5) year period. Payments for each subsequent N/A year period shall be the amount of the payment for the initial period, adjusted using an appropriate indexing factor to reflect more nearly the current fair market value of the use at the beginning of the new period. At certain intervals the Forest Service shall review the fee and adjust the fee as necessary to assure that it is commensurate with the fair market value of the authorized rights and privileges, as determined by appraisal or other sound business management principles.

C. Payment Due Date. The payment due date shall be the close of business on the day noted on the bill for collection of each calendar year payment is due. Payments due the United States for this use shall be deposited at, in the form of a check, draft, or money order payable to "Forest Service, USDA." Payments shall be credited on the date received by the designated Forest Service collection officer or deposit location. If the due date for the fee or fee calculation statement falls on a non-workday, the charges shall not apply until the close of business on the next workday.

D. Late Payment Interest, Administrative Costs and Penalties Pursuant to 31 U.S.C. 3717, et seq., interest shall be charged on any fee amount not paid within 30 days from the date the fee or fee calculation financial statement specified in this authorization becomes due. The rate of interest assessed shall be the higher of the rate of the current value of funds to the U.S. Treasury (i.e., Treasury tax and loan account rate), as prescribed and published by the Secretary of the Treasury in the Federal Register and the Treasury Fiscal Requirements Manual Bulletins annually or quarterly or at the Prompt Payment Act rate. Interest on the principal shall accrue from the date the fee or fee calculation financial statement is due.

In the event the account becomes delinquent, administrative costs to cover processing and handling of the delinquency will be assessed.

A penalty of 6 percent per annum shall be assessed on the total amount delinquent in excess of 90 days and shall accrue from the same date on which interest charges begin to accrue.

Payments will be credited on the date received by the designated collection officer or deposit location. If the due date for the fee or fee calculation statement falls on a non-workday, the charges shall not apply until the close of business on the next workday.

Disputed fees are due and payable by the due date. No appeal of fees will be considered by the Forest Service without full payment of the disputed amount. Adjustments, if necessary, will be made in accordance with settlement terms or the appeal decision.

If the fees become delinquent, the Forest Service will:

- Liquidate any security or collateral provided by the authorization.

- If no security or collateral is provided, the authorization will terminate and the holder will be responsible for delinquent fees as well as any other costs of restoring the site to its original condition including hazardous waste cleanup.

Upon termination or revocation of the authorization, delinquent fees and other charges associated with the authorization will be subject to all rights and remedies afforded the United States pursuant to 31 U.S.C. 3711 et seq. Delinquencies may be subject to any or all of the following conditions:

- Administrative offset of payments due the holder from the Forest Service.

- Delinquencies in excess of 60 days shall be referred to United States Department of Treasury for appropriate collection action as provided by 31 U.S.C. 3711 (g), (1).
The Secretary of the Treasury may offset an amount due the debtor for any delinquency as provided by 31 U.S.C. 3720, et seq.)

VII. OTHER PROVISIONS

A. Members of Congress. No Member of or Delegate to Congress or Resident Commissioner shall benefit from this permit either directly or indirectly, except when the authorized use provides a general benefit to a corporation.

B. Appeals and Remedies. Any discretionary decisions or determinations by the authorized officer are subject to the appeal regulations at 36 CFR 251, Subpart C, or revisions thereto.

C. Superior Clauses. In the event of any conflict between any of the preceding printed clauses or any provision thereof and any of the following clauses or any provision thereof, the preceding printed clauses shall control.

1. Nondiscrimination in Employment and Services (B1). During the performance of this authorization, the holder agrees:

1. In connection with the performance of work under this authorization, including construction, maintenance, and operation of the facility, the holder shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, age, or disability. (Ref. Title VII of the Civil Rights Act of 1964, as amended).

2. The holder and employees shall not discriminate by segregation or otherwise against any person on the basis of race, color, religion, sex, national origin, age, or disability, by curtailing or refusing to furnish accommodations, facilities, services, or use privileges offered to the public generally. (Ref. Title VI of the Civil Rights Act of 1964, as amended; Section 504 of the Rehabilitation Act of 1973; Title IX of the Education Amendments, and the Age Discrimination Act of 1975).

3. The holder shall include and require compliance with the above nondiscrimination provisions in any subcontract made with respect to the operations under this authorization.

4. When furnished by the Forest Service, signs setting forth this policy of nondiscrimination will be conspicuously displayed at the public entrance to the premises, and at other exterior or interior locations as directed by the Forest Service.

5. The Forest Service shall have the right to enforce the foregoing nondiscrimination provisions by suit for specific performance or by any other available remedy under the laws of the United States of the State in which the breach or violation occurs.

2. Bonding (C3). As a further guarantee of the faithful performance of the provisions and terms and conditions of this authorization, the holder agrees to deliver and maintain a surety bond or other acceptable security in the amount of $10,000.00. Should the sureties or the bonds delivered under this authorization become unsatisfactory to the Forest Service, the holder shall, within thirty (30) days of demand, furnish a new bond with surety, solvent and satisfactory to the Forest Service. In lieu of surety bond, the holder may deposit into a Federal depository, as directed by the Forest Service, and maintain therein, cash in the amounts provided for above, or negotiable securities of the United States having a market value at time of deposit of not less than the dollar amounts provided above.

The holder's surety bond shall be released, or deposits in lieu of bond, shall be returned thirty (30) days after certification by the Forest Service that priority installations under the development plan are complete, and upon furnishing by the holder of proof satisfactory to the Forest Service that all claim for labor and material on said installations have been paid or released and satisfied. The holder agrees that all moneys deposited under this authorization may, upon failure on his or her part to fulfill all and singular the requirements herein set forth or made a part hereof, be retained by United States to be applied to satisfy obligations assumed here under, without prejudice whatever to any rights and remedies of the United States.

Prior to undertaking additional construction or alteration work not provided for in the terms and conditions or when the improvements are to removed and the area restored, the holder shall deliver and maintain a surety bond in an
amount set by the Forest Service, which amount shall not be in excess of the estimated loss which the Government would suffer upon default in performance of this work.

3. Archaeological-Paleontological Discoveries (X17). The holder shall immediately notify the authorized officer of any and all antiquities or other objects of historic or scientific interest. These include, but are not limited to, historic or prehistoric ruins, fossils, or artifacts discovered as the result of operations under this authorization, and shall leave such discoveries intact until authorized to proceed by the authorized officer. Protective and mitigative measures specified by the authorized officer shall be the responsibility of the holder.

4. Improvement Relocation (X33). This authorization is granted with the express understanding that should future location of United States Government-owned improvements or road rights-of-way require the relocation of the holder's improvements, such relocation will be done by, and at the expense of, the holder within a reasonable time as specified by the authorized officer.

5. Corporation Status Notification (X48). The holder shall furnish the authorized officer with the names and addresses of shareholders owning three (3) percent or more of the shares, and number and percentage of any class of voting shares of the entity which such shareholder is authorized to vote. In addition, the holder shall notify the authorized officer within fifteen (15) days of the following changes:

1. Names of officers appointed or terminated.
2. Names of stockholders who acquire stock shares causing their ownership to exceed 50 percent of shares issued or who otherwise acquire controlling interest in the corporation.
3. A copy of the articles of incorporation and bylaws.
4. An authenticated copy of a resolution of the board of directors specifically authorizing a certain individual or individuals to represent the holder in dealing with the Forest Service.
5. A list of officers and directors of the corporation and their addresses.
6. Upon request, a certified list of stockholders and amount of stock owned by each.
7. The authorized officer may, when necessary, require the holder to furnish additional information as set forth in 36 CFR 251.54 (e)(1)(iv).

6. Operating Plans (R4-X2). The holder shall prepare the following plan(s), in consultation with the Forest Service, and submit said plan(s) for approval by the listed dates:

Operating Plan Prior to beginning installation of powerline.

Written approval of said plans by the Forest Service Authorized Officer is prerequisite to commencement of holder's operations or maintenance. Upon reasonable notice to the Forest Service, plans may be revised when necessitated by weather or other unpredictable circumstances. Plan revisions will be subject to written approval by the Forest Service Authorized Officer.

When said plan(s) is(are) submitted, it(they) will be marked as Exhibit(s) A and shall be attached hereto and become a part of this permit.
According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0596-0082.

This information is needed by the Forest Service to evaluate requests to use National Forest System lands and manage those lands to protect natural resources, administer the use, and ensure public health and safety. This information is required to obtain or retain a benefit. The authority for that requirement is provided by the Organic Act of 1897 and the Federal Land Policy and Management Act of 1976, which authorize the Secretary of Agriculture to promulgate rules and regulations for authorizing and managing National Forest System lands. These statutes, along with the Term Permit Act, National Forest Ski Area Permit Act, Granger-Thye Act, Mineral Leasing Act, Alaska Term Permit Act, Act of September 3, 1954, Wilderness Act, National Forest Roads and Trails Act, Act of November 16, 1973, Archaeological Resources Protection Act, and Alaska National Interest Lands Conservation Act, authorize the Secretary of Agriculture to issue authorizations for the use and occupancy of National Forest System lands. The Secretary of Agriculture's regulations at 36 CFR Part 251, Subpart B, establish procedures for issuing those authorizations.

The Privacy Act of 1974 (5 U.S.C. 552a) and the Freedom of Information Act (5 U.S.C. 552) govern the confidentiality to be provided for information received by the Forest Service. Public reporting burden for collection of information, if requested, is estimated to average 1 hour per response for annual financial information; average 1 hour per response to prepare or update operation and/or maintenance plan; average 1 hour per response for inspection reports; and an average of 1 hour for each request that may include such things as reports, logs, facility and user information, sublease information, and other similar miscellaneous information requests. This includes the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.
This permit is accepted subject to the conditions set out above.

Date 10 October 2001 CANYON FUEL COMPANY, LLC

(CORPORATE SEAL)

By: Mary E. Taylor
    (V.P. President Sr. Environmental Engr.)

ATTEST: ______________________________

______________________________

(Assistant) Secretary

The following certificate shall be executed by the Secretary or Assistant Secretary of the Corporation:

I ______________ certify that I am the __________ Secretary of the Corporation that executed the above permit; that __________ who signed said permit on behalf of said Corporation was then __________ of said Corporation; that I know his/her signature on said permit is genuine; and that said permit was duly signed, sealed, and attested to for and on behalf of said Corporation by authority of its governing body

(CORPORATE SEAL)

______________________________

(Assistant Secretary)

U. S. DEPARTMENT OF AGRICULTURE
Forest Service

By: ____________________________
    (Authorized Officer Signature)

ELAINE J. ZIEROTH, FOREST SUPERVISOR
(Name and Title)

10/15/2001
(Date)
**PERFORMANCE BOND**

(See instructions or reverse)

<table>
<thead>
<tr>
<th>Date Bond Executed</th>
<th>BOND NO. SB0073457</th>
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<tr>
<td>OCTOBER 11, 2001</td>
<td>9000-0045</td>
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Public reporting burden for this collection of information is estimated to average 25 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the FAR Secretariat (VRS), Office of Federal Acquisition Policy, GSA, Washington, D.C. 20405, and to the Office of Management and Budget, Paperwork Reduction Project (9000-0045), Washington, D.C. 20503.

**PRINCIPAL:** (Legal name and business address)

CANYON FUEL COMPANY, LLC
P.O. BOX 719
HELPER, UT 84526

**SURETY (IES):** (Name(s) and business address(es))

CCU INSURANCE COMPANY
436 WALNUT STREET
PHILADELPHIA, PA 19106

**TYPE OF ORGANIZATION ("X" one)**

- [] INDIVIDUAL
- [] JOINT VENTURE
- [X] CORPORATION

**STATE OF INCORPORATION**

- [] PARTNERSHIP

**PENAL SUM OF BOND**

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<th>HUNDRED(S)</th>
<th>CENTS</th>
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**CONTRACT DATE**

CONTRACT NO.

SPECIAL USE PERMIT NO.

**OBLIGATION:**

We, the Principal and Surety(ies), are firmly bound to the United States of America (hereinafter called the Government) in the above penal sum. For payment of the penal sum, we bind ourselves, our heirs, executors, administrators, and successors, jointly and severally. However, where the Sureties are corporations acting as co-sureties, we, the Sureties, bind ourselves in such sum jointly and severally as well as "severally" only for the purpose of allowing a joint action or actions against any or all of us. For all other purposes, each Surety binds itself, jointly and severally with the Principal, for the payment of the sum shown opposite the name of the Surety. If no limit of liability is indicated, the limit of liability is the full amount of the penal sum.

**CONDITIONS:**

The principal has entered into the contract identified above.

**THEREFORE:**

The above obligation is void if the Principal:

1. (1) Performs and fulfills all the undertakings, covenants, terms, conditions, and agreements of the contract during the original term of the contract and any extensions thereof that are granted by the Government, with or without notice to the Surety(ies), and during the life of any guaranty required under the contract, and (2) performs and fulfills all the undertakings, covenants, terms conditions, and agreements of any and all duly authorized modifications of the contract that thereafter are made. Notice of those modifications to the Surety(ies) are waived.

2. Pays to the Government the full amount of the taxes imposed by the Government, if the said contract is subject to the Miller Act, (40 U.S.C. 270a-270e), which are collected, deducted, or withheld from wages paid by the Principal in carrying out the construction contract with respect to which this bond is furnished.

**WITNESS:**

The Principal and Surety(ies) executed this performance bond and affixed their seals on the above date.

<table>
<thead>
<tr>
<th>CANYON FUEL COMPANY, LLC</th>
<th>PRINCIPAL</th>
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<td>2. (Seal)</td>
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<td>3. (Seal)</td>
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<tr>
<td>James E. Florczak</td>
<td>Vice President-Finance</td>
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</tbody>
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**INDIVIDUAL SURETY (IES)**

| SIGNATURE(S) | 1. (Seal) |
| NAME(S) (Typed) |

**CORPORATE SURETY (IES)**

<p>| CORPORATE SURETY (IES) | |
|------------------------| |</p>
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<tr>
<th>NAME &amp; ADDRESS</th>
<th>CCU INSURANCE COMPANY</th>
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DEC 02 1992
PWR OF OIL GAS & MINING
INSTRUCTIONS
BOND NO. SB0073457

1. This form is authorized for use in connection with Government contracts. Any deviation from this form will require the written approval of the Administrator of General Services.

2. Insert the full legal name and business address of the Principal in the space designated “Principal” on the face of the form. An authorized person shall sign the bond. Any person signing in a representative capacity (e.g., an attorney-in-fact) must furnish evidence of authority if that representative is not a member of the firm, partnership, or joint venture, or an officer of the corporation involved.

3. (a) Corporations executing the bond as sureties must appear on the Department of the Treasury’s list of the approved sureties and must act within the limitation listed therein. Where more than one corporate surety is involved their names and addresses shall appear in the spaces (Surety A, Surety B, etc.) headed “CORPORATE SURETY (IES)” in the space designated “SURETY(IES)” on the face of the form. Insert only the letter identifying the sureties.

(b) Where individual sureties are involved, a complete Affidavit of Individual Surety (Standard Form 28), for each individual surety, shall accompany the bond. The Government may require the surety to furnish additional substantiating information concerning its financial capability.

4. Corporations executing the bond shall affix their corporate seals. Individuals shall execute the bond opposite the word “Corporate Seal”, and shall affix an adhesive seal if executed in Maine, New Hampshire, or any other jurisdiction requiring adhesive seals.

5. Type the name and title of each person signing this bond in the space provided.
KNOW ALL MEN BY THESE PRESENTS, that the CGU INSURANCE COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania, and having its principal office in the City of Boston, Massachusetts, hath made, constituted and appointed, and does by these presents make and constitute and appoint Frank A. Word, Jr., Tina Marie Foster, all of the City of Knoxville, State of TENNESSEE each of them its true and lawful Attorney-in-Fact, to make, execute, seal and deliver for and on its behalf as surety any and all bonds or undertakings; provided that no bond or undertaking executed under this authority shall exceed in amount the sum of:

Fifty Million DOLLARS

($50,000,000.00)

and the execution of such bonds or undertakings in pursuance of these presents, shall be binding upon said Company as fully and amply, to all intents and purposes, as if such bonds were signed by the President, sealed with the corporate seal of the Company, and duly attested by its Assistant Secretary, hereby ratifying and confirming all the acts of said Attorney-in-Fact pursuant to the power herein given. This Power of Attorney is made and executed pursuant to and by authority of the following resolutions adopted by the Board of Directors of the CGU INSURANCE COMPANY at a meeting duly called and held on the second day of November, 1998:

"Resolved: That the President, or any Vice-President, or any Assistant Vice-President, may execute for and in behalf of the company any and all bonds, recognizances, contracts of indemnity, and all other writings obligatory in the nature thereof, the same to be attested when necessary and the seal of the company affixed thereto by the Secretary, or any Assistant Secretary; and that the President, or any Vice-President, or Assistant Vice-President, may appoint and authorize an Attorney-in-Fact to execute on behalf of the company any and all such instruments and to affix the seal of the company thereto; and that the President, or any Vice-President, or any Assistant Vice-President, may at any time remove, any such Attorney-in-Fact and revoke all power and authority given to any such Attorney-in-Fact."

"Resolved: That the Attorneys-in-Fact may be given full power and authority to execute for and in the name and on behalf of the company any and all bonds, recognizances; contracts of indemnity; and all other writings obligatory in the nature thereof, and any such instrument executed by any such Attorney-in-Fact shall be as binding upon the company as if signed by the President and sealed and attested by the Secretary, and, further, Attorneys-in-Fact are hereby authorized to verify any affidavit required to be attached to bonds, recognizances, contracts of indemnity, and all other writings obligatory in the nature thereof, and are also authorized and empowered to certify to a copy of any of the by-laws of the company as well as any resolution of the Directors having to do with the execution of bonds, recognizances, contracts of indemnity, and all other writings obligatory in the nature thereof, and to certify copies of the Power of Attorney or with regard to the powers of any of the officers of the company or of Attorneys-in-Fact."

This power of attorney is signed and sealed by facsimile under the authority of the following Resolution adopted by the Directors of the CGU INSURANCE COMPANY at a meeting duly called and held on the second day of November, 1998:

"Resolved: That the signature of the President, or any Vice-President, or any Assistant Vice-President, and the signature of the Secretary or any Assistant Secretary and the Company Seal may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Attorney-in-Fact for purposes only of executing and attesting any bond, undertaking, recognizing or other written obligation in the nature thereof, and any such signature and seal where so used, being hereby adopted by the company as their original signature of such officer and the original seal of the company, to be valid and binding upon the company with the same force and effect as though manually affixed."

IN WITNESS WHEREOF, the CGU INSURANCE COMPANY, has caused these presents to be signed by its Vice-President and its corporate seal to be hereinafter, duly attested by its Assistant Secretary on the 29th day of December, 2000.

CGU INSURANCE COMPANY

Attest:

James E. Carroll – Assistant Secretary

COMMONWEALTH OF PENNSYLVANIA
PHILADELPHIA COUNTY

On this 29th day of December, 2000, before me personally came Stephen J. Trecker, Vice-President and James E. Carroll, Assistant Secretary of the CGU INSURANCE COMPANY, to me personally known to be the individuals and officers described in and who executed the preceding instrument, and they acknowledged the execution of the same, and being by me duly sworn, severally and each for himself and by me, that they are the said officers of the Company aforesaid, and that the seal affixed to the preceding instrument is the corporate seal of deposit said Company and that the said corporate seal and their signatures as such officers were duly affixed and subscribed to the said instrument by the authority at direction of the said Company.

Patricia Rampson – Notary Public
(My Commission expires December 2, 2002)

CERTIFICATE
I, the undersigned, Assistant Secretary of the CGU INSURANCE COMPANY, a Pennsylvania Corporation, do hereby certify that the foregoing power of attorney is in full force and has not been revoked, and furthermore, that the Resolutions of the Board of Directors set forth in the power of attorney are now in force.

Signed and sealed, Dated 11th day of October 2001.

James E. Carroll – Assistant Secretary

This Power of Attorney may not be used to execute any bond with an inception date after December 29, 2004.
ADDENDUM TO THE SPECIAL USE PERMIT
OPERATIONAL PLAN FOR
BURIED POWER LINE ON
FOREST SERVICE ROAD

1. Warning signs such as "Approaching Construction Area" or "Flag Personnel Ahead" or other similar signs will be placed at sufficient distances to notify drivers that they are approaching a construction area. Flag personnel will be located on either side of the construction area to control traffic.

2. Flashing barricades will be placed at the each end of an open trench and on top of the spoil material.

3. Traffic delays will not exceed 20 minutes in length.

4. Protective material will be placed on the road surface to insure that the road base is not contaminated by excavated material and one lane of traffic will remain open at all times.

5. When crossing the road with the power line one lane of traffic will remain open at all times.

6. The material will be placed back in the trench at 100% standard proctor.

7. The construction area will be regarded to the approximate original contour.

8. Silt fence will be used as sediment control. They will be placed at the end of each ditch that flows into a open area, placed at the entrance to each culvert effected by construction, and on the down hill side of the trench where overland flow will occur. Silt fences will be remain in place until revegetation has occurred.

9. The construction area will be reseeded with an approved seed mix (See attachment). The seed mix will be hand broadcast and no fertilizer or mulch will be added.
For value received, QUESTAR PIPELINE COMPANY, corporation organized and existing under the laws of the State of Utah, Salt Lake County, State of Utah, Grantor does hereby convey to Canyon Fuel Company, LLC, a Limited Liability Company, its successors in interest and assigns, Grantee, a perpetual easement and right-of-way for the erection and continued maintenance, repair, alteration, and replacement of an underground electric transmission line to be erected and maintained upon and across the premises of the Grantor, in Carbon County, Utah along a line described as follows:

Land of the Grantor located in the Southwest Quarter of the Southeast Quarter of Section 25, Township 13 South, Range 6 East, Salt Lake Base and Meridian;

Beginning at a point on an existing power pole said pole being approximately 500 feet North and 100 feet East of Grantor’s Southwest property corner and running thence Southwesterly 120 feet more or less to Grantor’s West property line.

Together with all rights of ingress and egress necessary or convenient for the full and complete use, occupation and enjoyment of the easement hereby granted, and all rights and privileges incident thereto, including the right to cut and remove timber, trees, brush, overhanging branches and other obstructions which may injure or interfere with the Grantee’s use, occupation or enjoyment of this easement.

Grantor shall have the right to use said premises except for the purposes for which this right-of-way and easement is granted to grantees, provided such use does not interfere with the underground electric transmission line.

WITNESS the hand of the Grantor, this 23rd day of October, A.D. 2001.

QUESTAR PIPELINE COMPANY

Shahab Saeed,
Vice President Support Service
Dear Mary Ann:

We have reviewed Canyon Fuel’s Mine Plan Amendment for the buried powerline in James Canyon that will provide electricity to run water pumps at their water wells.

We hereby consent to approval of the amendment for that portion of the project that lies within the current mine permit area subject to the following conditions:

- A typical detail showing the location of the powerline, depth of burial, and trench relative to the road prism must be provided. Equipment to be used and plan for protecting the topsoil berm on the outer edge of the road must be submitted and approved prior to starting the project.

- Materials excavated for ditch construction must remain separated from the road gravels and topsoil berm. Separation can be achieved by placing materials onto a geotextile or other approved material placed over the roadbed adjacent to the ditch and/or along the topsoil berm. Contaminated and/or lost road gravels will be removed/replaced with crushed aggregate meeting Forest Service gradation “G” road gravels.

- Backfill materials placed in the powerline ditch must be compacted to 95% Standard Proctor.

- The ditch slopes and road cutslope must be replaced to original or flatter slopes following powerline installation and backfilling.

- All road drainage structures, including dips and culverts (inlet, outlet, and pipes) must be returned to original condition if damaged.

- All sediment control structures such as berms, ditches, and silt fences must be repaired/replaced immediately if damaged by operations.

- Seeding of the topsoil berm and cutslope of the road must take place prior to winter conditions in accordance with a seed mix approved by the Forest Service and Division of Oil, Gas and Mining.
The Forest Service is in the process of issuing a special-use permit to Canyon Fuel for installation of the powerline from the private land at the communications site to the mine permit boundary via the Monument Peak Road (Forest Road 50018) and upper portion of the James Canyon project road on National Forest System lands outside of the current mine permit area. Installation and operation of the powerline along the Monument Peak Road is subject to the terms and conditions of the special-use permit which differ from those for the James Canyon project area (copy enclosed).

If you have any questions, contact Carter Reed or Aaron Howe at the Forest Supervisor’s Office in Price, Utah.

Sincerely,

ELAINE J. ZIEROTH
Forest Supervisor

Enclosure

cc:
D-2/3
Dick Manus, BLM Price Field Office
(w/o enclosures)
August 15, 2002

Mr. George Liodakis

2655 East Chalet Circle

Sandy, Utah 84093

RE: Canyon Fuel Company, LLC, Skyline Mine Entry Development in the W1/2 SW1/4, Section 12, Township 13 South, Range 6 East, SLB&M

Dear Mr. Liodakis:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine’s plan to expand its permit area by 84 acres in a portion of the W1/2 SW1/4, Section 12, Township 13 South, Range 6 East, SLB&M, to allow for the development of main entries. CFC currently holds the coal leases in this area and will be developing main entries as access to the mine’s federal leases underlying National Forest lands located west of Section 12. Mining is projected to begin in this area the last week of August 2002 or the first week of September 2002. No subsidence or surface disturbance will occur as the result of developing the mains in Section 12. No surface or ground water flows will be interrupted or diminished as a result of this mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Utah Division of Oil, Gas & Mining offices in Salt Lake City, Utah.

CFC would like to continue our discussion with you, or your representative, regarding possible future surface access and mining related subsidence in Sections 1 and 12 of Township 13 South, Range 6 East and Section 6 of Township 13 South, Range 7 East, SLB&M. If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2633 or me at (435) 448-2619.

Sincerely,

Dan Meadors

Manager, Skyline Mine

Canyon Fuel Company, LLC.

xc: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining
August 15, 2002

Mr. Phillip P. Palmer
Price River Water Improvement District
P.O. Box 903
Price, Utah 84501

RE: Canyon Fuel Company, LLC, Skyline Mine Entry Development in the W1/2 SW1/4, Section 12, Township 13 South, Range 6 East, SLB&M

Dear Mr. Palmer:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine’s plan to expand its permit area by 84 acres in a portion of the W1/2 SW1/4, Section 12, Township 13 South, Range 6 East, SLB&M, to allow for the development of main entries. CFC currently holds the coal leases in this area and will be developing main entries as access to the mine’s federal leases underlying National Forest lands west of Section 12. Mining is projected to begin in this area the last week of August 2002 or the first week of September 2002. No subsidence or surface disturbance will occur as the result of developing the mains in Section 12. No surface or ground water flows will be interrupted or diminished as a result of this mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Utah Division of Oil, Gas and Mining offices in Salt Lake City, Utah.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced area, please call Mark Bunnell at (435) 448-2633 or me at (435) 448-2619.

Sincerely,

Dan Meadors
Manager, Skyline Mine
Canyon Fuel Company, LLC.

xc: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining

INCORPORATED
AUG 16 2002
DIV OF OIL GAS & MINING
August 15, 2002

Price River Water Users Association
90 North 100 East
Price, Utah 84501

RE: Canyon Fuel Company, LLC, Skyline Mine Entry Development in the W1/2 SW1/4, Section 12, Township 13 South, Range 6 East, SLB&M

Dear Sirs:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine’s plan to expand its permit area by 84 acres in a portion of the W1/2 SW1/4, Section 12, Township 13 South, Range 6 East, SLB&M, to allow for the development of main entries. CFC currently holds the coal leases in this area and will be developing main entries as access to the mine’s federal leases underlying National Forest lands west of Section 12. Mining is projected to begin in this area the last week of August 2002 or the first week of September 2002. No subsidence or surface disturbance will occur as the result of developing the mains in Section 12. No surface or ground water flows will be interrupted or diminished as a result of this mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Utah Division of Oil, Gas and Mining offices in Salt Lake City, Utah.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced area, please call Mark Bunnell at (435) 448-2633 or me at (435) 448-2619.

Sincerely,

Dan Meadors
Manager, Skyline Mine
Canyon Fuel Company, LLC.

xc: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining
RIGHT OF ENTRY

KOULA MARAKIS TRUST LANDS

INCORPORATED
AUG 18 2002
DIV OF OIL GAS & ...
August 8, 2002

Ms. Pam Grubaugh-Littig
Utah Coal Program
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
P. O. Box 145801
Salt Lake City, Utah 84114-5801

Re: Minor Permit Modification to include the W1/2 SW1/4 Section 12, Township 13
South Range 6 East SLB&M, Surface Landowner Issue, Canyon Fuel Company, LLC., Skyline Mine C/007/005

Dear Pam:

Canyon Fuel Company LLC (CFC), Skyline Mine intends to develop main entries into the W1/4 SW1/4 Section 13, Township 13 South Range 6 East SLB&M in coal that the company has leased from Carbon County and C&B Coal. The current surface land owner is the Koula Marakis Trust administered by George E. and Helen Liodakis and Liodakis Ranch, LLC. CFC has notified the trust administrators this area of their property will be undermined as main entries are developed from the existing Skyline Mine works toward Federal Lease U-67939, commonly referred to as the "North Lease" or "Winter Quarters Lease". CFC Skyline Mine will first mine only in the Carbon County and C&B Coal Leases and no subsidence will occur as a result of mining.

Utah Administrative Code R645-301-114.200 relating to the general contents of a coal permit application provides that where the private mineral estate to be mined has been severed from the private surface estate, an applicant will submit one of the following: (1) a copy of the written consent of the surface owner, or (2) a copy of the conveyance that expressly grants or reserves the right to extract coal by certain coal mining and reclamation operations, or (3) documentation that the applicant has the legal authority under Utah law to extract the coal by the proposed operations. CFC Skyline Mine submits that it meets the requirements set forth under 114.230 that its proposed operations are allowed under Utah law.

CFC Skyline has been granted a valid coal lease from Carbon County and C&B Coal, the owners of the coal estate, to conduct underground mining of coal in the W1/2SW1/4 of Section 12, T13S, R6E, SLB&M. See, Amended Section 5 of Consent, Ratification and Amendment of Lease and Agreement. Utah law recognizes the general rule that the rights of the owner (or rights of a lessee) of mineral rights in land are dominant over the rights of the owner of the fee to the extent reasonably necessary to extract the minerals from the affected lands. Flying Diamond v. Rust, 551 P.2d 509 (Utah 1976) (copy attached). The Utah Supreme Court has clearly adopted the principle that wherever
there exists separate ownerships of interest in the same land, "each [party] should have the right to the use and enjoyment of his interest in the property to the highest degree possible not inconsistent with the rights of the other." *Flying Diamond* at 511. The dominant right of the mineral estate is qualified: the mineral owner or lessee must exercise his or her rights only as "reasonably necessary" and consistent with allowing the fee owner "the greatest possible use of his property." *Smith v. Linmar Energy Corp.*, 790 P.2d 1222, 1224 (Utah App. 1990) (copy attached).

Under the current permit application, CFC Skyline Mine proposes to conduct underground mining below the fee surface without material damage to the surface resulting from either direct surface access or subsidence. See, CFC Skyline Mine Permit Application -Section 3.1.2 Mine Development Plan p. 3-6. Consequently, CFC Skyline is exercising its rights to mine the County Lease and C&B Coal Lease with respect to the fee surface consistent with Utah law in a "reasonably necessary" manner while allowing the fee surface owner "the greatest possible use of his property."

If you have any questions regarding this matter, please give me a call at (435) 448-2669.

Sincerely,

Chris D. Hansen
Environmental Coordinator
Canyon Fuel Company, LLC

attachments
Page 510

Appeal from the Fourth District Court, Duchesne County, J. Robert Bullock, J.

Gayle F. McKeachnie, McKeachnie & Seager, Vernal, for plaintiff and appellant.

Robert C. Cummings and Gordon A. Madsen, Madsen, Cummings & Harris, Salt Lake City, for defendant and respondent.

Keith E. Taylor, James B. Lee and J. Brent Garfield, Parsons, Behle & Latimer, Salt Lake City, for amicus curiae.

CROCKETT, Justice:

Plaintiff, the Flying Diamond Corporation, lessee of oil and gas rights on the property of the defendants, Anthon and Ona Rust, sued to restrain them from interfering with the plaintiff's oil drilling operation. Defendants counterclaimed for damage to their land. Following a plenary trial, the court refused to grant the plaintiff's request for an injunction and awarded defendants $16,542 on their counterclaim. Plaintiff appeals, contending that as oil and gas lessee it is not liable for damages to the surface reasonably necessary to the extraction of oil and gas; that the damage was not to crops, as that term is used in the lease; and that the trial court erred in assessing damages.

In 1973 the plaintiff discussed with the defendants its plans to drill an oil well at a certain location on the land. Defendants requested plaintiff to build the access road in from the north, which would minimize damage and not interfere with irrigation of defendants' lands. Their discussions produced no agreement and the plaintiff proceeded to construct the road coming in from the east. The trial court found that it was not necessary to build the road from the east; that it could have come in from the north as defendants requested; and that the road as so constructed from the east caused damage to the defendants by the taking of the 5.88 acres and prevented the defendants from irrigating another 15 acres. Based upon testimony that similar land in the locality had sold for $1,400 per acre, and that plaintiff had offered the defendants $1,000 per acre, the trial court assessed damages.

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court assessed damages at the rate of $90.00 per acre for the 5.88 acres, and at the rate of $750 per acre for diminishing the usefulness of the other 15 acres.

The general rule which is approved by all jurisdictions that have considered the matter is that the ownership (or rights of a lessee) of mineral rights in land is dominant over the rights of the owner of the fee to the extent reasonably necessary to extract the minerals therefrom. [fn1] This dominance is limited in that the mineral owner may exercise that right only as reasonably necessary for that purpose and consistent with allowing the fee owner the greatest possible use of his property consistent therewith. Such a conflict of interest was dealt with in the case of Getty Oil Company v. Jones. [fn2] Therein the court acknowledged the right of the lessee to extract oil notwithstanding surface damage; but also pointed out that where there is a reasonable and practical alternative which could be pursued to minimize damages to the fee holder, that should be done.

We subscribe to the foregoing as in harmony with the principle which we think is sound: that wherever there exist separate ownerships of interests in the same land, each should have the right to the use and enjoyment of his interest in the property to the highest degree possible not inconsistent with the rights of the other. [fn3] We do not mean to be understood as saying that such a lessee must use any possible alternative. But he is obliged to pursue one which is reasonable and practical under the circumstances. The evidence here justifies the trial court's view that there was such a reasonable alternative to the use of the 5.88 acres; and also, that that amount of land was rendered totally and permanently unusable for agricultural purposes by the defendants.

As to the 15 acres for which damages were awarded because the construction of plaintiff's road interfered with their irrigation, the plaintiff makes two contentions arising out of paragraph 10 of the lease. It states that: Lessee "shall pay for damage directly and immediately caused by its operations to growing crops theretofore planted on said land." Plaintiff argues that the only growth on the 15 acres was clover, alfalfa and natural grasses, all used for grazing, the same as existed at the time of the lease; and that therefore, any damage to them did not come within the language of "growing crops theretofore planted on said land."

The first part of this argument is that the road was constructed in the winter so there were no growing crops to be harmed. This argument is so specious that it needs no comment except to say that this would be true with practically all crops, which are mostly quiescent during the winter months in this latitude; and that if the plaintiff's argument was sound, one covenanting against such damage would only have to wait until winter to destroy crops with impunity.

The second aspect of plaintiff's argument is that the vegetation as recited above is indigenous to the area and therefore should not be considered as "crops theretofore planted"
on said land. This may be true as to the grasses, but not to the clover and alfalfa. In any event, the contract should be construed in accordance with what reasonably appears to have been the intent of the parties in adopting the language of the lease. The evidence is that the forage referred to were the only crops growing or contemplated on that pasture land. We have heretofore held that the term "crops" encompasses the useful product of land whether sown or occurring naturally. [fn4] Consistent with the foregoing, if the provision of the lease is to have any practical meaning, it must have been as a protection against the crops intended to be grown on the land; and the trial court was justified in so concluding.

Plaintiff lastly contends that the trial court erred in assessing damages on a theory of depreciation. It cites Frankfort Oil Company v. Abrams, [fn5] where it was held that, absent a specific provision extending liability to cover the indirect loss of value to other lands of the defendant, damages could be had only for direct injury to defendant's property caused by its operations in extracting the oil or minerals. We see no reason to disagree with the holding of the Frankfort case and others like it, [fn6] which deny coverage for depreciation resulting to the landowner's other property by the exercise of the right to extract. But we do not see that this is inconsistent with the finding of the trial court and the judgment rendered herein. The terminology used is not controlling. Our interest is in the essential fact as to what was done. When viewed in that light, it is apparent that the trial court found that because of the placement and manner of construction of the plaintiff's road, preventing irrigation of 15 acres of the defendants' land, its usefulness and value were diminished to the extent of $750 per acre. Applying the standard rule of indulging the presumptions of verity to the finding and judgment of the trial court, we are not persuaded that they should be disturbed.

Affirmed. Costs to defendants (respondents).

HENRIOD, C.J., and TUCKETT, ELLETT, and MAUGHAN, JJ., concur.

[fn1] 4 Summers, Oil & Gas, Sec. 652; 1 Williams & Meyers, Oil & Gas Law, Sec. 218.


[fn5] Supra, note 4.

Utah Case Law

SMITH v. LINMAR ENERGY CORP., 790 P.2d 1222 (Utah App. 1990)

790 P.2d 1222

CARL N. SMITH AND DAWNA LAVERNE SMITH, PLAINTIFFS AND APPELLANTS, v. LINMAR ENERGY CORPORATION, A DELAWARE CORPORATION, DEFENDANT AND APPELLEE.

No. 880661-CA.

Court of Appeals of Utah.

April 19, 1990.

Appeal from the Seventh District Court, Duchesne County, Dennis L. Draney, J.

Page 1223

Gordon A. Madsen, Robert C. Cummings (argued), Madsen & Cummings, Salt Lake City, for plaintiffs and appellants.

Robert W. Adkins (argued), Terry L. Christiansen, Adkins & Christiansen, P.C., Coalville, for defendant and appellee.

Before DAVIDSON, BENCH and BILLINGS, JJ.

OPINION

BILLINGS, Judge:

Plaintiffs/appellants Carl N. Smith and Dawna LaVerne Smith ("Smiths") appeal from a money judgment in their favor. The Smiths claim the trial court incorrectly assessed the damages due them as a result of the defendant/appellee Linmar Energy Corporation's ("Linmar Energy") placement of an oil well, battery storage tank, and road on the Smiths' property pursuant to an oil and gas lease. We affirm.

The Smiths are owners of a fee interest in 20 acres of land located adjacent to the city limits of Altamont in Duchesne County. Linmar Energy is the lessee under an oil and gas lease covering this property. The Smiths' 20-acre tract, including the land now occupied by the well site, has been used exclusively for agricultural purposes. The Smiths' property is located in the Altamont-Bluebell oil field and is surrounded by numerous oil wells, some of which may be seen from the Smith property.

In 1983, Linmar Energy, pursuant to its lease, entered onto the southwest corner of the Smiths' 20-acre parcel to install an oil well along with an oil well battery and storage tanks. Linmar Energy considered several other alternative locations...
for the well site, but rejected the other sites based on geological and economic factors. Prior to construction of the well site, Linmar Energy's representative contacted Carl Smith and met him on the property. The record supports Linmar Energy's claim that Mr. Smith refused to provide any input regarding where on his land he would like the well drilled or the road constructed, though both parties agree that Mr. Smith did express a desire to have the well drilled on some one else's land.

In the fall of 1984, the Smiths filed an action in district court against Linmar Energy seeking to recover damages caused by the construction of the well site and access road. The case was tried without a jury on April 5 and 6, 1988. The trial court awarded the Smiths $16,065 in damages. The court valued the land based on its agricultural use, found that Linmar Energy's use of the 4.76-acre parcel was of such a nature and duration that it would be unusable for agricultural purposes in the near future, and credited Linmar Energy for the residual value of the property at the point in the future when Linmar Energy's use of the property would cease and the property would be restored and returned to the Smiths.

The Smiths appeal, claiming that the court erred (1) in failing to find that Linmar Energy's choice of a well site was unreasonable and arbitrary; (2) in failing to assess damages to the property based on its "highest and best use" which they claim was for residential purposes; (3) in failing to award the Smiths severance damages; (4) in failing to find that the tract taken had no residual value; and (5) in failing to award the Smiths prejudgment interest.

PLACEMENT OF WELL SITE

Initially, the Smiths contend that Linmar Energy acted unreasonably and arbitrarily in its placement of the road, well site, and battery storage tanks. In Utah, as a general matter, ownership of mineral rights in land is dominant over the rights of the owner of the fee title to the extent reasonably necessary to extract minerals. *Flying v. Diamond Corp.* v. *Rust*, 551 P.2d 509, 511 (Utah 1976). However, the rights of the mineral owner are qualified. The mineral owner must exercise his or her rights only as reasonably necessary, "and consistent with allowing the fee owner the greatest possible use of his property consistent therewith." *Id.* Where there is a reasonable and practical alternative to mitigate the damages to the fee owner, the lessee must pursue such a course of conduct. How ever, the lessee is not required to utilize any possible alternative, but only one that is both "reasonable and practical under the circumstances." *Id.*

The trial court found that Linmar Energy's selection of the well site and supporting improvements was "reasonable, practical and carried out in good faith." We will not set aside a trial court's finding of fact unless it is against the clear weight of the evidence or we otherwise reach a definite and firm conviction that a mistake has been made. *Western Kane County Special Serv. Dist. No. 1 v. Jackson Cattle Co.*, 744 P.2d 1376, 1377 (Utah 1987); see also *Ashton v. Ashton*, 733 P.2d 147, 150 (Utah 1987). We may regard a finding as clearly erroneous only if the finding is without adequate evidentiary support or is induced by an erroneous view of the law. *State v. Walker*, 743 P.2d 191,

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The Smiths, in challenging the trial court's factual finding, must proceed in two steps: the Smiths must first marshal all the evidence that supports the trial court's finding, and then demonstrate that, despite this evidence, the finding is so lacking in support as to be "against the clear weight of the evidence" and, thus, clearly erroneous. Doelle v. Bradley, 784 P.2d 1176, 1178 (Utah 1989); see also Grayson Roper Ltd. Partnership v. Finlinson, 782 P.2d 467, 470 (Utah 1989); Fitzgerald v. Critchfield, 744 P.2d 301, 304 (Utah Ct.App. 1987).

The Smiths have failed to marshal the evidence in support of the trial court's finding that Linmar Energy's selection of the well site was reasonable and practical. Thus, we affirm the trial court's decision that the placement of the well and road were not unreasonable.

DAMAGES

The Smiths also claim the district court should have taken a condemnation approach in its calculation of damages. They argue that the court should have utilized the "highest and best use" approach in assessing damages to the land which they claim would require valuing the property as residential. Further, they claim the court erred in not allowing severance damages to the surrounding land. The Smiths cite no authority for their novel claim that condemnation theories should be used to assess damages in this private contract dispute between a fee owner and an oil and gas lessee.

Other jurisdictions that have considered the issue have rejected such an approach. O'Connor v. Great Lakes Pipe Line Co., 63 F.2d 523, 525 (8th Cir. 1933); Fulkerson v. Great Lakes Pipe Line Co., 335 Mo. 1058, 75 S.W.2d 844, 846 (1934). It is the language of the parties' contract that controls the damages allowable in a private dispute between a fee owner and a mineral lessee. See Fulkerson, 75 S.W.2d at 844; see also Phillips Petroleum Co. v. Morris, 518 S.W.2d 444, 446 (Tex. Ct. App. 1975) (the specific lease provision did not extend liability to cover the indirect loss of value of the remaining land, but only covered losses resulting from actual authorized use of the land). Commentators note, "[t]he lessee's liability on his covenant contained in the surface damage clause will be governed by the specific provisions of the clause, and the lessor will recover those damages specified and contemplated by the parties." 4 Kuntz, Oil and Gas § 49.4 (1972).

Paragraph 8 of the parties' lease states that the lessee "shall pay for damage caused by its operations to growing crops on said land." The trial court correctly focused on this contractual language of the lease in assessing damages. The trial court found that the well site rendered 4.76 acres of the Smiths' land unusable for agricultural purposes and thus awarded damages under the liberal reading of the "growing crops" damage clause as interpreted in *Flying Diamond* Corp. v. *Rust*, 551 P.2d 509, 512 (Utah 1976). The Smiths also challenge the factual findings of the trial court as to the residual value of the land. Again they fail to marshal the evidence in support of the trial court's ruling and thus we also affirm the trial court on this issue. *Doelle v. Bradley*, 784 P.2d 1176, 1178 (Utah 1989); *Grayson Roper Ltd. Partnership v. Finlinson*, 782 P.2d 467, 470 (Utah 1989).

**PREJUDGMENT INTEREST**

The Smiths also challenge the trial court's refusal to award them prejudgment interest. A court can award prejudgment interest only when the loss is fixed at a particular time and the amount can be fixed with accuracy. *Parents Against Drunk Drivers v. Graystone Pines Homeowners' Ass'n*, 789 P.2d 52, 58-59 (Utah Ct.App. 1990) (citing *Jorgensen v. John Clay & Co.*, 660 P.2d 229, 233 (Utah 1983)). In *First Sec. Bank v. J.B.J. Feedyards, Inc.*, 653 P.2d 591 (Utah 1982), the court held:

On the other hand, where damages are incomplete or cannot be calculated with mathematical accuracy, such as in the case of personal injury, wrongful death, defamation of character, false imprisonment, etc., the amount of the damage must be ascertained and assessed by the trier of fact at the trial, and in such cases prejudgment interest is not allowed.

Id. at 600 (quoting *Bjork v. April Indus., Inc.*, 560 P.2d 315, 317 (Utah), cert. denied, 431 U.S. 930, 97 S.Ct. 2634, 53 L.Ed.2d 245 (1977)).

This court has noted that

...for damages to be calculable with mathematical certainty, they must be ascertained in accordance with fixed rules of evidence and known standards of value, which the court or jury must follow in fixing the amount, rather than being guided by their best judgment in assessing the amount to be allowed for past as well as for future injury, or for elements that cannot be measured by any fixed standards of value.

Bracey, 781 P.2d 414, 423 (Utah 1989) (loss-of-profits damages found too speculative to allow for prejudgment interest).

It is undisputed that the damage to the Smiths' property was complete and that the loss was fixed in August 1983, the time that Linmar Energy began operations on the Smith parcel. However, under the controlling authority, we believe the trial court correctly found the damages could not be calculated with sufficient accuracy to support an award of prejudgment interest. The contractual crop damages at issue are not ascertainable in accordance with fixed rules of evidence and known standards of value. They are the type of damages which are not easily calculated and must be ascertained by the general judgment of the fact finder at the time of trial.

In summary, we affirm the ruling of the trial court on the issues of the measure of damages and prejudgment interest.

DAVIDSON and BENCH, JJ., concur.

[fn1] The Smiths argue that Flying Diamond allowed "severance" damages. We find their reading of Flying Diamond in error. In Flying Diamond, the court did award damages caused by the unreasonable placement of the access road. However, the court awarded the damages because the road prevented the irrigation of 15 acres of additional property and thus destroyed its use for agricultural purposes. Thus, the court was merely applying the "growing crops" measure of damages found in the contract.

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APPENDIX 118-A
RIGHT-OF-ENTRY
August 21, 2001

Mrs. Virginia Mower
56 West 200 South
Fairview, Utah 84629

Re: Letter of Agreement for Access Road and Right of Entry to Construct and Operate a Water Pipeline

Dear Mrs. Mower:

Canyon Fuel Company, LLC (CFC), leases coal underlying surface lands which you own and those adjacent to yours. Your land is located in Section 2, Township 14 South, Range 6 East, Salt Lake Base Meridian. On May 23, 2000, an agreement with you was executed allowing Skyline Mine to use your surface for access to and construction of exploration drill holes and ventilation boreholes pursuant to specific terms. The purpose of this letter is to expand that agreement to allow the construction and operation of a water pipeline across your surface property.

Within the past few days, Skyline Mine has encountered large inflows of water in coal owned by the federal government and adjacent to your property. These inflows are far greater than the mine is capable of handling and have stopped all mining. The mine is in the process of installing additional pumping and water handling capacity but even this will be less than what is required to control the water.

Skyline Mine is planning to immediately install two or three wells from the federally administered surface next to your property for the purpose of pumping water from the mine. This water will be carried through an (approximate) eighteen-inch diameter pipeline, down James Canyon, on the surface from the wells to Electric Lake, where it will be discharged. The pipeline needs to cross your surface as it follows James Canyon. See attached MAP 1 (Road and Drill Pad Construction, James Canyon).

The pipeline will be located along the old James Canyon road and will be laid on the surface. Before winter, the pipeline will be buried in the same location. Skyline Mine proposes to leave the pipeline in the ground at the completion of mining rather than redisturb the surface again.
CFC will pay you a lump sum payment of one thousand dollars ($1000) for the right to construct and operate the water pipeline across your surface. This payment will be made within thirty days of your signing this agreement. All other terms will be identical to those contained in the May 23, 2000, Letter of Agreement.

Skyline Mine is in an emergency situation and is grateful for your willingness to assist it weather the storm. We regret not giving you more notice but this has come upon us very quickly.

If the foregoing terms and conditions are satisfactory, please execute this Letter of Agreement by signing in the space provided below. In signing below, Virginia Mower represents that she holds title to the surface ownership of the land discussed herein and that she has the sole right to negotiate this agreement.

Sincerely,

Dan Meadors,
Skyline Mine Manager

ACCEPTED AND AGREED:

CANYON FUEL COMPANY, LLC

By: ____________________________
   Title: PRESIDENT

Date: August 22, 2001

VIRGINIA MOWER

By: ____________________________
   Title: ____________________________

Date: August 24, 2001

Attachment: MAP 1
RIGHT OF ENTRY

to

CONSTRUCT and OPERATE WATER PIPELINE

This Right of Entry is made and entered this 22nd day of August 2001 by and between Canyon Fuel Company, LLC (Canyon) and PacifiCorp.

Canyon and PacifiCorp entered into an Underground Coal Lease dated February 1, 1999 ("Lease"), for the purpose of Canyon’s mining coal owned by PacifiCorp. Inclusive in that Lease is the right of Canyon to use surface owned or controlled by PacifiCorp as necessary in conjunction with mining of the coal.

Canyon has encountered large subsurface water inflows into its coal mine and has a need to discharge those waters to surface. Electric Lake is the closest receiving surface water for the discharge. Canyon proposes to drill a well into the mine from lands near the Lease and to route a water pipeline from the well to Electric Lake. The pipeline will cross a portion of the surface owned or controlled by PacifiCorp.

The pipeline will be approximately eighteen (18) inches in diameter. Initially, it will be laid on the surface of the ground but will be buried prior to the coming winter. Routing of the pipeline is shown on the attached MAP 1 (Road and Drill Pad Construction, James Canyon). Canyon’s activities hereunder shall be conducted in accordance with the Lease and all applicable laws and regulations.

In witness hereof, Canyon and PacifiCorp, through their duly authorized representatives, confirm this Right of Entry on the date written above.

Canyon Fuel Company, LLC

By: Interwest Mining Company, Managing Agent for PacifiCorp

By: _______________
Title: _______________
Decision Memo
CANYON FUEL COMPANY, LLC
SKYLINE MINE
JAMES CANYON DRILLING/WATER DISCHARGE
FEDERAL COAL LEASE U-044076

USDA Forest Service, Intermountain Region
Manti-La Sal National Forest
Ferron-Price Ranger District
Emery County, Utah

I. INTRODUCTION

The Manti-La Sal National Forest has evaluated a proposal submitted by Canyon Fuel Company, LLC to obtain approval to conduct borehole drilling in James Canyon on Federal Coal Lease U-044076 within the permit area of the Skyline Mine. Approximately 1.25 miles of an existing decommissioned roadway in James Canyon would be reopened/restored from the Monument Peak Road (Forest System Road 50018) on Trough Springs Ridge to a drilling pad to be constructed on the reclaimed roadway in the lower reaches of James Canyon. At least three angled boreholes would be drilled from this single drill pad. The purpose of the drilling is to dewater an underground fracture zone and adjacent underground mine workings in the Skyline Mine No. 3, Level 2. Recent mining into the fault or fracture zone encountered large water inflows that exceed the pumping capacity of the mine (estimated at approximately 5,000 gallons per minute). The water would then be piped to Electric Lake, a distance of approximately 0.5 miles. Plastic pipe would be placed along the old roadway below the pad. No road construction would be needed to place the pipe. Permission from the private landowners would be required prior to laying the pipe. It would be placed by handcrews or 4-wheel ATVs. Any wheel tracks would be raked and seeded. The elevation difference between the pad location and Electric Lake discharge point would be sufficient to provide gravity flow from the pad to the pipe outlet.

Dewatering of the fault at a proposed rate maximum rate of approximately 12,000 gpm would potentially create a cone of depression in the ground water sufficient to allow Canyon Fuel to seal the mine entry at the fault and prevent continued inflow and flooding. It is not known how long dewatering through the boreholes would be needed to accomplish these objectives. Canyon Fuel hopes to complete dewatering operations by the end of October. However, operations could continue though the winter months into the year 2002, and potentially beyond.

The drill pad would be located in James Canyon in the SW1/4, SW1/4 of Section 35, T. 13 S. R. 6 E. SLM, Emery County, Utah. The reclaimed roadway to be reconstructed intersects with the Monument Peak Road in the NW1/4, NW1/4 of Section 36, T. 13 S., R. 6 E. and traverses Section 35, T. 13 S. R. 6 E. to the pad site. The surface pipeline would cross private lands in the NW corner of Section 2, T. 14 S., R. 6 E. and enter Electric Lake on private land in the SE1/4, NE1/4 of Section 3, T. 14 S., R. 6 E. Attachments 1 is a map of the project area showing the location of the James Canyon project road, drill, pad, staging area, and pipe location.
The boreholes would be plugged and abandoned following completion of dewatering operations. The drill pad and access road would be reclaimed and revegetated following hole plugging operations. The surface pipe would be removed. The pad would disturb 0.5 acres (110' x 200' including cut and fill), approximately half of which includes the reclaimed roadway. The project access road in James Canyon would disturb approximately 3.0 acres (6,500' length x 20' width) within the original prism of the old roadway. The surface pipeline would not result in vegetation removal or earthwork but could disturb a length of approximately 3,000 feet and width of less than 10 feet within the old roadway prism. The disturbance would be 0.4 acres (3,000' x 5'). The old road prism averages approximately 30 feet in width. Other than at the pad location, it would not be necessary to redisturb the original road slopes. A main staging area would be used for temporary storage of equipment and water tanks at the intersection of the James Canyon project road and the Monument Peak Road. This area is heavily used for dispersed recreation and parking by the recreating public and livestock permittee. This area is approximately 0.5 acres in size. The total surface disturbance (mostly within the old roadway prism) would total approximately 4.4 acres.

The Forest Supervisor has determined that the project qualifies for categorical exclusion from preparation of an EA or EIS because no extraordinary circumstances have been identified, the total disturbed land surface area is approximately 4.4 acres and the operation clearly falls under FSH 1909.15, Section 31.2 Item 3, "Approval, modification, or continuation of minor special uses of National Forest System lands that require less than 5 contiguous acres of land."

The drill pad and majority of the access road lies within an RNG (Range) Forest Plan Management Unit. Management emphasis is on production of forage and cover for domestic livestock and wildlife. Mineral activities are allowed but must provide appropriate mitigation measures to assure continued livestock access and use. Those authorized to conduct developments will be required to replace losses through appropriate mitigations, where a site-specific development adversely affects long-term production or management.

The access road (decommissioned James Canyon Road) traverses the southern edge of a TBR (Timber) Management Unit. Emphasis is on management for the production and use of wood-fiber for a variety of wood products. There are no specific restrictions on mineral development within this management unit. No trees would be removed within the TBR Management Unit.

The old roadway traverses James Canyon along the north slope of the Canyon. No riparian vegetation would be removed or affected by the project.

The visual quality objective for the area is "partial retention"; the project is consistent with this objective. The Recreation Opportunity Spectrum (ROS) classification for the upper portion of James Canyon is "roaded natural appearing". The lower reaches of James Canyon adjacent to the private land is "semi-primitive motorized". The project is consistent with these classifications.

II. DECISION

I have decided to consent to approval of the proposed project by the Bureau of Land Management and Utah Division of Oil, Gas and Mining. Forest Service consent is subject to the terms and conditions of the permit and provisions of the plan as altered by the attached stipulations (Attachment 2).

Page 2 Decision Memo, Canyon Fuel Company, LLC, Skyline Mine Dewatering Boreholes
It is my determination that this decision may be categorically excluded from preparation of an Environmental Assessment (EA) or Environmental Impact Statement (EIS) under Forest Service Handbook 1909.15, Chapter 30, Section 31.2(3): "Approval, modification, or continuation of minor special uses of National Forest System lands that require less than five contiguous acres of land." This category was determined appropriate because the area affected by this decision is less than 5 acres, no extraordinary circumstances were identified during scoping, and surface uses would remain essentially the same.

The proposal, with stipulations, would provide adequate protection of Forest resources. The proposal is consistent with all Forest Plan requirements.

My decisions may be implemented immediately.

III. DECISION RATIONALE

This decision was made after careful consideration of the proposal and the entirety of the supporting record. No one fact or single piece of information led to the decisions. Rather, a combination of factors contributed to it. The key considerations are discussed in the following sub-parts.

Attainment of Agency Goals:

The general purpose and need for this project is to accomplish the following goal of the Forest Plan: "Provide appropriate opportunities for and manage activities related to locating, leasing, development, and production of mineral and energy resources." (Forest Plan, p. III-4). Another related goal of the Forest Plan is: "Manage geologic resources, common variety minerals, ground water, and underground spaces (surficial deposits, bedrocks, structures, and processes) to meet resource needs and minimize adverse effects."

The project-specific purpose and need of the proposed action is to permit Canyon Fuel to dewater the fracture system and flooded portion of the Skyline Mine such that the fracture system can be sealed and mine inflow at this location can be stopped. This would allow this section of the mine to resume coal production.

Discharge water quality is high. No effects to aquatic species or to human uses of the water are expected. Water quality data provided by Utah Fuel Company is contained in the project file.

The decision wholly meets the project's purpose and need and is consistent with Forest Plan direction.

Absence of Extraordinary Circumstances:

Existing resource conditions and potential extraordinary circumstances have been considered in making the decisions.
Steep slopes or highly erosive slopes. The proposed project area is located on stable lands on the north slope of James Canyon on an old reclaimed roadway.

Threatened and endangered species or their critical habitat. The project will not affect any Threatened or Endangered Species.

Sensitive Species. A goshawk survey of the project area has been conducted (project file). There are no goshawks nests or other sensitive species in the project area that could be adversely affected.

Floodplains, wetlands, or municipal watersheds. The project will not affect floodplains, wetlands, or municipal watersheds.

Congressionally designated areas, such as wilderness, wilderness study areas, or National Recreation Areas. There are no wilderness, wilderness study areas, or National Recreation Areas in the project area.

Inventoried Roadless Areas. The project area is not within an inventoried roadless area or an unroaded area contiguous to an inventoried roadless area.

Research Natural Areas. The project area is not located within any Research Natural Areas (RNAs).

Native American religious or cultural sites, archeological sites, or historic properties or areas. A cultural resource survey of the project area was completed by qualified professional archaeologists. The survey report is included in the project file. It has been determined that the project does not have the potential to affect historic properties or cultural sites.

Relationship to Public Involvement: Minimal public scoping was done due to the urgent nature of this project. Representatives of the Emery Water Conservancy District, Huntington-Cleveland Irrigation Company, Price River Water Improvement District, Price River Water Users Association, PacifiCorp (operator/permittee for the Electric Lake Dam/Reservoir), and Utah Division of Wildlife Resources were contacted. None of these representatives voiced any specific concerns or objections regarding the project.

PUBLIC INVOLVEMENT

No legal notices describing the proposal and requesting issues/comments were published in the Sun Advocate (Price, Utah) due to the short time frames associated with this emergency nature of the drilling request. Affected users were contacted by telephone and there were no objections to the project.

V. FINDINGS REQUIRED BY OTHER LAWS AND REGULATIONS

To the best of my knowledge, the decision complies with all applicable laws and regulations. The consistency of my decision relative to some pertinent legal requirements is summarized below.
National Forest Management Act of 1976: The Forest Plan was approved November 5, 1986, as required by this Act. This long-range land and resource management plan provides guidance for all resource management activities in the Forest. The National Forest Management Act requires all projects and activities to be consistent with the Forest Plan. The project is consistent with emphasis for management of RNG and TBR Management Units. The Forest Plan has been reviewed in consideration of this project. The decision will be consistent with the Forest Plan.

National Historic Preservation Act: The proposal would not result in any impacts for cultural or historic resources. Cultural resource survey and clearance documents are contained in the project file.

Endangered Species Act: This project will not result in impacts to threatened or endangered plant or animal species. The Biological Assessment and Biological Evaluation are contained in the project file.

Sensitive Species: A goshawk survey has been conducted (report contained in the project file). There are no goshawks nests or other sensitive species in the project area that could be adversely affected. The Biological Assessment and Biological Evaluation are contained in the project file.

National Environmental Policy Act: The entirety of documentation for this project supports that the project analysis complies with this Act.

Environmental Justice: Based on experience with similar projects on the Ferron-Price Ranger District, it is believed that this project would not have any disparate impacts on individual groups of peoples or communities. Implementation of this project will produce no adverse effects on minorities, low-income individuals, Native Americans or women. No civil liberties will be affected.

VI. IMPLEMENTATION DATE AND APPEAL OPPORTUNITY

Implementation of these decisions may occur upon issuance of the Road-Use Permit and any required appraisal from the Bureau of Land Management.

This decision is subject to appeal by the public in accordance with the Code of Federal Regulations Title 36 part 215.

This decision is subject to appeal by the applicant under Code of Federal Regulations Title 36 part 251.
VII. CONTACT PERSON

For additional information concerning the Forest Service decision, please contact Carter Reed at the USDA Forest Service, Manti-La Sal National Forest (address: 599 West Price River Drive, Price, UT 84501; telephone: 435-637-2817).

VIII. SIGNATURE AND DATE

Elaine Zieroth
Forest Supervisor
Manti-La Sal National Forest

August 22, 2001
Date

Page 6  Decision Memo, Canyon Fuel Company, LLC, Skyline Mine Dewatering Boreholes
ATTACHMENT 2
CONDITIONS OF CONSENT

1. Drill rigs and heavy equipment (not including water trucks) must not be transported in or out of the project area during the opening of the general elk hunt nor during the opening weekend of the general deer hunt and during holiday weekends. The restriction includes the Friday before the weekend. The water truck must be preceded by a pilot vehicle when hauling water for the project during the hunting season.

2. The permittee is responsible for repair of any damages to roads which are caused by his operations.

3. All traffic must maintain safe speeds commensurate with existing conditions.

4. Roads must be watered if dust becomes a problem or if excessive loss of road material occurs.

5. The operator shall take all reasonable/appropriate measures to prevent the introduction and proliferation of exotic plants and/or noxious weeds for all operations on the land surface. Measures must include cleaning vehicles and equipment before entry onto Federal lands, pre-treatment of areas approved for surface disturbing activities, use of weed free materials (straw, fill materials, gravel, etc.), and control and eradication of exotic species and/or noxious weeds in disturbed/reclaimed areas until liability/bond release. Proposed control/eradication measures for surface operations are subject to approval by the surface management agency.

6. The seed mix to be used for reclamation will be proposed by Canyon Fuel and approved by the Forest Service prior to reclamation.

7. Drill sites and the mud pits when they are dry must be reclaimed by selectively backfilling excavated materials, topsoil last, such that the disturbed area is replaced to the approximate original contour. The disturbed area must be seeded with the approved seed mix.

8. Heavy equipment, drilling equipment, and transport vehicles must be cleaned of mud/debris that could potentially transport noxious weed seeds prior to entering the National Forest.

9. All water bearing zones encountered in the process of drilling will be recorded on the drilling logs. Any zone which is producing a large continuous flow will be reported to the Forest Service prior to abandonment procedures taking place. Continuous flow measurements of water pumped and discharged must be made and reported to the
regulatory authorities. Quality monitoring must be conducted consistent with the the Utah Coal Rules and approved in the mine plan.

10. A locked gate built to Forest Service specifications (including object markers and signs) must be constructed at the intersection of the James Canyon and Monument Peak roads to exclude public traffic from using the James Canyon project road. This gate must remain closed/locked except when vehicles are actually passing through.

11. A minimum of 4 inches of crushed aggregate (must meet Forest Service gravel specifications) must be applied to the road and pad after topsoil is removed.

12. Topsoil must be stripped from the road surface and stored as a berm on the outside edge of the road. Excess topsoil will be piled at other approved locations where the soil can be protected from erosion.

13. The James Canyon project road (14 foot width with 1 foot ditch) will be insloped with an inside ditch installed. Drainage dips will be constructed at a minimum of 150 foot intervals to drain rainwater to the slope below the road. Sediment control structures will be constructed at the dip outlets.

14. Culverts will be constructed under the road to FS specifications to drain live water (springs and surface drainage) under the road surface to prevent saturation of the roadway and prevent contamination of the water.

15. The drill pad must be constructed with a berm (two feet high) around the perimeter to contain all rainwater and other fluids on the pad. The pad must be graded to drain at 1% to the mud pit.

16. Silt fences supported with materials approved by the FS must be constructed at the base of any fill slopes on the pad. A ditch must be constructed to drain overland flow from undisturbed areas away from the pad area with sediment control structures to prevent sediment from entering the James Canyon drainage.

17. The operator must post a bond sufficient to cover reclamation and hole plugging costs with the regulatory authority.

18. All fuel tanks must be constructed with berms adequate to contain spills and precipitation to prevent contaminated fluids from leaving the pad site.

19. Self contained sanitary facilities must be provided and maintained on site during operations. Waste materials must be removed from the Forest and disposed of at suitable licensed facilities.

20. An inventory of springs in the James Canyon area must be completed and a monitoring proposal submitted to the regulatory authority for approval.

21. The operator must conform to all state laws and regulations regarding water discharge, and development/abandonment of the water wells.
is hereby granted subject to: UDOT's Regulations For the Accommodation of Utilities on Federal Aid and Non Federal-Aid Highway Right of Way, Regulations for the Control and Protection of State Highway Rights of Way, Standard Specifications for Road and Bridge Construction, Specifications for Excavation of State Highway, State Occupational Safety and Health Laws, Manual on Uniform Traffic Control Devices, Instructions to Flaggers, the approved plans, and any special limitations set forth herein, permission for the purpose of BLAST FOR FAN FOUNDATION & CONSTRUCTION OF VENTILATION FAN LOCATED 50 FT. BELOW SR-264 ON THE SKYLINE MINESITE. TEMPORARY PARKING OF COMPRESSION ON RW, SR-264 within the right of way limits of Highway No. 264 Milepost No. 12-15, in CARBON County, in the following locations: APPROX. 7 MILES SOUTHWEST OF SCAFIELD

Receipt of $20 permit fee is hereby acknowledged. The work permitted herewith shall commence 05/01/2001 and shall be diligently prosecuted to completion. The work shall be completed and all disturbed surfaces or objects restored on or before 06/30/2001. In the event work is commenced under this permit and the permittee fails or refuses to complete the work, the Utah Department of Transportation may, at its election, fill in or otherwise correct any existing deficiencies at the expense of and subject to immediate payment by the permittee.

Permittee shall execute a bond in the minimum amount of , as determined by the Regional Director/District Engineer, to insure faithful performance of the permittee's obligation. The bond shall remain in force for three years after completion of work.

Before work permitted herewith is commenced, the permittee shall notify Dale Stapley at (435)636-1402, and commencement of said work is understood to indicate that the permittee will comply with all instructions and regulations of the Utah Department of Transportation (as listed) with respect to performance of said work, and that she/he will properly control and warn the public of said work to prevent accidents and shall indemnify and hold harmless the Utah Department of Transportation from all damages arising out of any and all operations performed under this Permit.

shall not perform any work on State Highway right of way beyond those areas of operation stipulated on this permit.

If permittee fails to comply with Utah Department of Transportation regulations, specifications, or instructions pertinent to this permit, the Region Director/District Engineer or his duly authorized representative may, by verbal order, suspend the work until the violation is corrected. If permittee fails or refuses to comply promptly, the Region Director/District Engineer or his authorized representative may issue a written order stopping all or any part of the work. When satisfactory corrective action is taken, an order permitting resumption of work may be issued.

***24 Hours Before Starting Work Call ARTHUR J. LOPEZ at (435)870-8772***

Special Limitations:
-This agreement and/or permit is UDOT approval only. You are responsible to obtain clearances from railroads, private property owners and local jurisdictions that you are working within.

Part time inspector is required at permittee's expense, with 48 hours notice. By accepting this permit I agree to pay for inspectors fee.

Contractor responsible for repairing and/or restoring any portion of the roadway damaged during construction.

Warning signs and traffic control required as per MUTCD. Flaggers are required if moving traffic out of traffic lane.

Orange shirts or vests required of all workers with the Right of Way.

Check for other utilities in the area prior to excavation (BLUE STAKES).

PARK ALL EQUIPMENT AS FAR FROM HWY AS POSSIBLE.

GARY TAYLOR, See Application

Approved By:

Maintenance Station No. 4435 ARTHUR J. LOPEZ (435)870-8772
C&B COAL AND CARBON COUNTY

COAL LEASE AGREEMENTS
C&B COAL LEASE
UNDERGROUND COAL LEASE

THIS UNDERGROUND COAL LEASE ("Lease"), made effective as of August 1, 2002 ("Effective Date"), is by and between C&B Energy, LLC, a Utah limited liability company ("Lessor"), whose address is 1431 North 1200 West, Orem, Utah 84057 and Canyon Fuel Company, LLC, with offices at 6955 South Union Park Center, Suite 550, Midvale, UT 84047 ("Lessee").

WITNESS that in consideration of the sum of Two Thousand Dollars ($2,000.00) in hand paid by Lessee as Rental for the first year of this Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Lessor, and in further consideration of the Production Royalty, covenants and agreements herein set forth, the parties agree as follows:

1. Grant of Lease.

a. Lessor does hereby grant, demise, lease and let exclusively unto the Lessee, and the Lessee leases and takes from the Lessor, for the purposes herein specified, all "Coal" (as hereinafter defined) situated in, on or under the following described real property situated in Carbon County, State of Utah, including all present interest of Lessor in the coal estate and any after-acquired, reversionary, contingent or future interest of Lessor ("Leased Premises"):

   Township 13 South, Range 6 East, SLB&M
   Section 1: W/2SE/4;
   Section 12: NW/4SW/4, SW/4NW/4, NE/4NW/4.

   (Containing 200 acres, more or less.)

For the purposes of determining the amount of Rental payments hereunder, the Leased Premises shall be treated as comprising 200 acres, whether there be more or less.

b. For the purposes of this lease, the term "Coal" is used in its commonly accepted meaning and shall include any seam, vein, bed, strata or deposit, from the lowest grade of lignite through the highest grade of anthracite, both inclusive, and all constituent products thereof mixed with or encountered when mining Coal in whatever physical state or form produced, and all impurities and other minerals of every nature and type of substance associated or commingled therewith. Lessee shall have the right to vent any methane or coalbed methane and other naturally-occurring gases contained within the seam ("Coal Seam Gas") encountered in Lessee's mining operations as a safety measure without liability or accountability of any nature whatsoever to Lessor, but Lessee shall not have the right to commercially produce or market any Coal Seam Gas. The rights hereby granted to Lessee shall not include mining or extraction rights with respect to oil, gas or other minerals other than Coal as defined herein, which rights are reserved exclusively unto the Lessor.
2. Rights of Lessee.

a. The coal estate in the Leased Premises is hereby leased unto Lessee subject to the terms and conditions herein set forth for the purpose of prospecting, exploring, developing, testing, mining and operating for and producing by underground mining methods, whether now or hereafter existing or known, all Coal lying and situated in or under the Leased Premises, with the right to store, save, commingle, remove, transport, own and market, treat, process or otherwise utilize the Coal, together with all of the mining rights and privileges appurtenant to the Coal and incident to the ownership thereof.

b. By way of enlargement, and not by way of restriction, the following rights and privileges are also hereby granted to the extent Lessor has the right so to do:

1. Subject to the limitations regarding “Surface Ownership” as described in Section 8, the exclusive right and privilege to prospect upon and under the surface overlying the portion of the Leased Premises authorized for mining for Coal; to explore, survey, conduct soil and water sampling and other environmental studies; and to mine, drill, bore, core and test and analyze by any other reasonable means;

2. The exclusive right and privilege to enter upon and under, and the free and uninterrupted right-of-way into, upon, over, across and through, the Leased Premises, at such points and in such manner as may be necessary or convenient for the purpose of mining, removing, processing and marketing all of the Coal hereby leased;

3. The right-of-way, right of entry, access, ingress and egress and right to transport over, under, across and through the Leased Premises any coal now or hereafter owned, leased or otherwise acquired by Lessee and located on lands adjacent to the Leased Premises;

4. Subject to the limitations contained in this Lease, the right to use so much of the surface as may be necessary or convenient in conjunction with Lessee’s operations hereunder;

5. The right to include the Leased Premises or any portion thereof in any plan of unitization for coal or a Federal logical mining unit pursuant to any such unitization, and so that operations or mining in any portion of the Leased Premises shall be deemed operations or mining on the logical mining unit for Federal diligent development and continued operations requirements, and where at Lessee’s option, to commingle Coal with coal from lands other that the Lease Premises; and

6. The right to subside, collapse, sink, lower, and alter the surface, subsurface, and superadjacent strata of the portion of the Leased Premises authorized for mining as a result of Lessee’s permitted operations hereunder.
3. Term.

Subject to the other provisions herein, this Lease shall remain in effect for a primary term of ten (10) years from the Effective Date, and so long thereafter as Coal is produced from the Leased Premises.

4. Rental.

a. Within one (1) year from the Effective Date, and on or before each anniversary date thereafter during the primary term and any continuation of the term, this Lease shall be kept in full force and effect for the next ensuing year by the Lessee's payment to Lessor of a rental in the amount of $3.00 per acre ("Rental").

b. Subject to the right of Lessee to terminate this Lease in whole or in part, Rental payments as set forth above shall be made annually whether in the primary term or the continuing term of this Lease, regardless of whether or not there is production of Coal from the Leased Premises. Temporary suspension of actual mining and production of Coal by Lessee during the primary term shall be without prejudice to its right to resume operations as long as Rental payments are made as herein provided.

c. Rental payments made pursuant to this Lease shall not be recouped, credited or set off against Production Royalty payable under this Lease.

5. Production Royalty.

a. Lessee shall pay to Lessor as a production royalty for all Coal mined, removed and sold from the Leased Premises the sum of eight percent (8%) of "Gross Proceeds" ("Production Royalty"). "Gross Proceeds" shall have the same meaning as the term gross proceeds is defined in 30 C.F.R., Part 206, Subpart F, with respect to Federal coal leases. The calculation of the value of the Production Royalty shall be determined under the provisions of such subpart applicable to Federal ad valorem coal leases, including amendments thereto and administrative and judicial interpretation thereof which shall include, without limitation, any deductions, adjustment or allowances now existing or hereafter permitted in calculating royalty due under Federal coal leases.

b. Production Royalty due and payable for Coal actually mined, removed and sold from the Leased Premises during any calendar month shall be paid on or before the last day of the next succeeding calendar month. In the event Lessee fails to pay any rent or royalty when due, the late payment shall be subject to the payment of interest from the due date to the date of payment at the rate of one and one-half percent (1-1/2%) per month simple interest. Any amount unpaid for more than thirty (30) days after its due date shall be deemed a breach of this Lease and Lessor shall be free to declare a breach pursuant to Section 9.

6. Records and Accounts.

a. Lessee shall keep a true and correct record of all Coal mined, removed and sold from the Leased Premises. Lessee shall maintain accurate and complete accounting records in support of all Production Royalty paid with respect to Coal production from the Leased
Premises in accordance with the standard for Federal royalty as set out in 30 C.F.R., Part 206, Subpart F and generally recognized accounting principles and practices.

b. On or before the last day of each calendar month following the month during which Lessee shall commence actual mining operations on the Leased Premises and for the remaining term of this Lease, Lessee shall furnish Lessor a true and correct statement showing the tons of Coal actually mined, removed, and sold during the preceding calendar month from the Leased Premises.

c. Lessor shall have the right after a ten-day prior written notice to Lessee to examine, audit and reproduce the records, vouchers and their source documents which serve as the basis for Production Royalty payments. Audit findings may be contested by either party. In the event of a dispute over audit findings by one of the parties, the parties shall jointly appoint an independent accounting firm to conduct a joint audit. The parties shall jointly share the costs and expenses incurred to conduct an independent audit. The conclusions of the independent accounting firm shall be binding on the parties.

7. Indemnification.

a. Lessee shall indemnify, defend and hold harmless Lessor from and against all suits, actions, claims, causes of action, losses, costs and demands (including without limitation reasonable attorney’s fees) in any manner arising from or relating to operations and activities conducted by or for the benefit of Lessee on the Leased Premises and the use and occupancy of the Leased Premises pursuant to this Lease.

b. Lessor shall indemnify, defend and hold harmless Lessee from and against all suits, actions, claims, causes of action, losses, costs and demands (including without limitation reasonable attorney’s fees) in any manner arising from, incident to or growing out of Lessor’s use or occupancy of the Leased Premises.

c. Notwithstanding anything in this Lease to the contrary, the indemnity obligations undertaken herein shall survive the expiration, termination, or cancellation of this Lease.

8. Surface Ownership.

a. Lessor does not claim ownership of the surface estate with respect to the Leased Premises. Lessee shall be responsible to determine the ownership of the surface and obtain any and all such additional lease(s) or lease rights as may be necessary to conduct Lessee’s operations on the Leased Premises.

b. Lessee shall mitigate any impacts to the surface caused by Lessee’s activities on the surface of the Leased Premises consistent with applicable law. Lessee’s approved mining permit and Lessee’s surface use agreements. Lessor acknowledges that payment of the consideration provided for herein is intended to fully compensate Lessor for any and all damages and liability of Lessee to Lessor under § 2504(a)(1) of the Energy Policy Act of 1992 with respect to those portions of the Leased Premises as to which Lessor is the owner of the surface estate.
9. Termination and/or Surrender.

a. If Lessee fails to comply with the provisions of this Lease and if Lessee does not initiate and diligently pursue steps to correct the default within thirty (30) days after notice has been given to it by Lessor specifying with particularity the nature of the default, then upon the expiration of the thirty (30) day period, Lessor shall have the right to declare this Lease in default, provided, however, that the rights and obligations of Lessee under this Lease shall not terminate until such time as the declared default has been submitted to a court of law and a final, non-appealable order has been issued terminating this Lease based on the alleged default. The service of a default notice shall be a condition precedent to the bringing of any action by Lessor on this Lease for such default, and no such action shall be brought with respect to such default until the lapse of thirty (30) days after service of such notice. The doing of any acts by Lessee reasonably sufficient to cure all or any of the alleged breaches or defaults shall not be deemed an admission or presumption that Lessee has failed to perform any or all of its obligations hereunder.

b. Any default claims with respect to the payment of money may be cured by the deposit in escrow of the amount in controversy (not including claimed damages) and giving of notice of the deposit to Lessor, the amount to remain in escrow until the controversy is resolved by decision of a court or arbitrators or otherwise.

c. Upon termination of this Lease by court order, Lessee shall have a reasonable time in which to remove all of Lessee’s machinery, equipment and other property from any part of the Leased Premises.

d. Lessee may at any time terminate this Lease (as to all or part of the Leased Premises) by delivering to Lessor or by filing for record in the appropriate office (with a copy to Lessor) a recordable Surrender of this Lease (or a Partial Surrender describing that portion of the Leased Premises as to which this Lease is surrendered). Upon mailing the Surrender (or Partial Surrender) to Lessor or to the appropriate office, all rights, liabilities, obligations of Lessee under this Lease (with respect to the portion of the Leased Premises as to which this Lease is terminated) shall terminate, except that (i) Lessee shall have the rights provided herein to remove property and (ii) Lessee shall have those liabilities for payment of Rentals and Production Royalty, reclamation, and indemnification otherwise existing on the date of termination, and then accrued.

10. Depository Bank, Change of Ownership.

a. All payments under this Lease may be paid or tendered to Lessor or to Lessor’s credit in the U. S. Bank at 1431 North 1300 West, Orem, Utah 84057, which bank, and its successors, are hereby made agents of Lessor to receive all payments herein provided for, and shall continue as the depository regardless of changes in the ownership of the Leased Premises or of the right to receive said payments. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail to accept a payment, Lessee shall not be held in default for failure to
make or tender name until thirty (30) days after Lessee shall deliver to Lessee a proper
instrument naming another bank or depository as agent to receive such payments or tenders.

b. All payments or tenders may be made by wire transfer or by delivering or
mailing a check to the depository or to Lessor (at Lessor's last known address as shown by
Lessee's records), as appropriate. Payments shall be deemed proper payment or tender as herein
provided upon receipt by Lessor or the depository bank.

c. No change or division in ownership of the Leased Premises or Production
Royalty, however accomplished, shall operate to enlarge the obligations or diminish the rights of
Lessee. No such change or division in the ownership of the Leased Premises or Production
Royalty shall be deemed notice to or binding upon Lessee for any purpose, despite actual or
constructive notice by Lessee, until forty-five (45) days after the person acquiring any interest
shall furnish Lessee at Lessee's address above, with the original instrument or instruments, or
certified or true copies thereof, evidencing such change, transfer or division of ownership;
provided that Lessee may at its election, recognize any such change or division prior to the
expiration of said forty-five (45) day period of time and make payment to the new owners.

11. Lesser Interest.

If Lessor owns less interest in the Coal in the Leased Premises than the entire and
undivided fee simple estate therein, then whether or not such interest is referred to or described
herein, Production Royalty, Rentals and other payments herein provided for shall be paid to
Lessor only in the proportion which Lessor’s interest bears to the whole and undivided fee
simple estate in the Coal in the Leased Premises.

12. Compliance with Law.

Lessee shall conduct all operations hereunder in a good and workmanlike manner and in
full compliance with all applicable local, state and federal laws, rules, regulations and orders,
including, but not limited to, those pertaining to mine safety, zoning, environmental protection
and land reclamation.

13. Liability Insurance.

a. Without limiting any liabilities or any other obligations of the Lessee on
and after the date of this Lease, Lessee shall have and maintain insurance with companies which
are rated by Best Insurance Rating at A or above and with at least the following liability limits:

1. Commercial General Liability (occurrence form), covering bodily
injury and property damage liability, including contractual, XCU, products and
completed operations with minimum limits of $5,000,000 per occurrence;

2. Comprehensive Automobile Liability covering owned, hired and
non-owned vehicles with minimum limits of $1,000,000 per occurrence;

3. Workers’ Compensation or Industrial Accident insurance as
required by law.

INCORPORATED
EFFECTIVE:

01/16/2002

UTAH DIVISION OIL, GAS AND MINING
PRICE FIELD OFFICE
b. All insurance policies shall be the primary insurance for Lessee and shall name Lessor as an additional insured.


The Lessee shall pay all validly assessed and levied property taxes on its improvements and property and shall pay all of the taxes, if any, validly assessed and levied against its right in the Coal covered by this Lease and its rights, if any, in the surface over the Leased Premises. Lessor shall pay all validly assessed and levied taxes on its interests in the Leased Premises. In the event a federal, state, county or municipal or other governmental agency levies a license, severance, sales, use, production or other tax on the Coal hereunder, or on Lessee's rights to operate or produce or sell such Coal, then and in that event the Lessee shall pay that portion of such tax attributable to its rights in the Coal and Lessor shall pay the portion thereof attributable to its rights in the coal. Lessee is hereby authorized to pay any mortgages, liens, taxes and assessments on behalf of the Lessor and be subrogated to the rights of the holders of such encumbrances and may, if it so desires, deduct any amounts so paid from Production Royalty or other payments due Lessor hereunder.

15. No Covenant to Develop or Produce.

Lessee shall be under no obligation, express or implied, to explore, develop, mine or rework the Leased Premises for Coal or any other mineral or substance which may be covered hereby, it being expressly agreed that the good faith judgment of the Lessee in carrying out the purpose of this Lease shall be conclusive.


When exploration, testing or mining or other operations hereunder are delayed or interrupted by lack of water, labor or material or by fire, storm, flood, war, rebellion, insurrection, riot, labor disputes or failure of carriers to transport or furnish facilities for transportation, or as a result of some order, requisition or necessity of any governmental authority or due to some zoning, environmental protection or land reclamation requirement, or as a result of any cause whatsoever beyond the control and not a result of any negligence of the Lessee, the time and result of such delay or interruption shall not be counted against Lessee or cause a termination of this Lease; provided, however, the obligation to make Rental and Production Royalty payments shall not be suspended but instead shall be due and payable during such period and shall be paid as provided for above. Lessee shall provide Lessor with written notice within ten (10) days after both the occurrence and the cessation of any condition constituting such above described force majeure hereunder.

17. Assignment.

Lessor may assign or transfer all or any portion of its interest in Leased Premises provided such assignment or transfer shall be made expressly subject to all of the terms and conditions of this Lease. Lessor shall not assign any portion of its rights or delegate any portion of its duties or obligations under this Lease independent of its interest in the Leased Premises. Lessee's interest in and to this Lease may be assigned or transferred subject to the prior written consent of Lessor, which consent shall not be unreasonably withheld, provided that Lessee may
assign or transfer all of its interests in this Lease to an affiliate or may sublet any interest in this Lease without prior written consent.

18. Title.

Lessor warrants title to the Leased Properties and the Coal by, through and under Lessor, but not otherwise, and makes no further representation or warranties as to title to the Coal or the Leased Premises. Lessee may purchase or lease the rights of any party claiming any interest in the Leased Property and the Coal, and Lessee shall not suffer any forfeiture nor incur any liability to Lessor by reason thereof. Should Lessee wish to investigate Lessor’s title following execution of this Lease, Lessor agrees to cooperate with Lessee as to title matters by making available to Lessee all abstracts, title insurance policies and other title documents in Lessor’s possession.

19. Modification.

No amendment or modification to this Lease shall be effective unless and until the same is embodied in writing and signed by all parties hereto.

20. Recording.

The parties agree that they will execute a Memorandum of Underground Coal Lease in a form substantially similar to that attached as Exhibit A and that the executed Memorandum will be placed of record in the county containing the Leased Premises. This Lease will not be placed of record.


Any notice required or permitted herein shall be sufficient if given in writing or delivered by hand or deposited in the United States mail, certified, postage prepaid and addressed to the appropriate addresses set forth in the introduction of this Lease, or to such other addresses as any party hereto may, from time to time, designate in writing.

22. Inspection.

Provided that Lessor first gives Lessee five (5) days prior written notice and subject to Lessee’s safety and health rules and policies, Lessor or its duly authorized agents and representatives shall have the right at their own risk, cost and expense to enter into and upon the Leased Premises and workings thereon for the purpose of examining and inspecting the same, and ascertaining whether the terms and conditions of this Lease are being carried out and performed by Lessee.

23. Interference with Operations.

The parties recognize that this Lease does not cover oil and gas rights, except for the right to vent Coal Seam Gas, and other mineral rights not covered by this Lease underlying the Leased Premises and that Lessor retains the right to grant leases or other conveyances as to such rights. The parties acknowledge that Lessor may conduct oil and gas development activities on the
Leased Lands. Prior to approval of a permit for a surface location for an oil or gas well on or affecting the Leased Lands, but in no event less than sixty (60) day prior to conducting actual drilling operations on the Leased Lands, Lessor shall notify Lessee in writing of the proposed well location and related surface use activities and the parties shall use their commercially reasonable efforts to coordinate the well location to ensure the safety and operational integrity of Lessee's coal operations and to facilitate Lessor Party's proposed drilling activities.


This Lease and all of its terms and provisions shall be governed by and interpreted according to the laws of the State of Utah, including its equitable doctrines, without regard to its choice of law doctrines.

25. Binding Effect.

This Lease and all of its terms and conditions shall be deemed covenants running with the Leased Premises and shall be binding upon all who execute it, whether or not named in the body thereof, and without regard to whether this same instrument, or any copy or counterpart hereof, is executed by an of the other persons or parties named above, and shall be binding upon their heirs, devisees, administrators, executors, successors in interest and assigns, as appropriate.

IN WITNESS WHEREOF, the parties have executed this Lease effective as of the day and year first above written.

LESSOR:

C&B Energy, LLC

By: [Signature]
Title: General Manager

LESSEE:

Canyon Fuel Company, LLC

By: [Signature]
Title: President

INCORPORATED EFFECTIVE: AUG 16 2002

UTAH DIVISION OIL, GAS AND MINING PRICE FIELD OFFICE
STATE OF UTAH
COUNTY OF UTAH

On the 30th day of July, 2002, personally appeared before me

Glen G. Cook, the General Manager

of C&B Energy, LLC, who signed the foregoing instrument on behalf of C&B Energy, LLC and acknowledged to me that he executed the same.

Marge Lyon
Notary Public
Residing at: American Fork, Utah

STATE OF UTAH
COUNTY OF SALT LAKE

On the 10th day of August, 2002, personally appeared before me

Richard D. Pick, the President

of Canyon Fuel Company, LLC, who signed the foregoing instrument on behalf of Canyon Fuel Company, LLC and acknowledged to me that he executed the same.

Melissa Wood
Notary Public
Residing at:

INTEGRATED EFFECTIVE:

DUG 16 2002
EXHIBIT A

MEMORANDUM OF UNDERGROUND COAL LEASE

THIS MEMORANDUM OF UNDERGROUND COAL LEASE made and entered into effective as of ________________, 2002 ("Effective Date"), is by and between C&B Energy, LLC, a Utah limited liability company, having an address of 1431 North 1200 West, Orem, Utah 84057 ("Lessor"), and Canyon Fuel Company, LLC, having an address of 6955 South Union Park Center, Suite 550, Midvale, Utah 84047 ("Lessee").

Witnesseth:

The parties hereto agree:

1. Upon the terms and conditions set forth in the certain Underground Coal Lease ("Lease"), dated as of the Effective Date, all of which are hereby incorporated herein as if set forth in full, Lessor does hereby grant and lease unto Lessee for the purposes described in paragraph 2 of this Memorandum of Underground Coal Lease and in the Lease those certain lands situated in Carbon County, State of Utah, more particularly described as follows ("Leased Premises"): Township 13 South, Range 6 East, SL&M
Section 1: W/2SE/4;
Section 12: NW/4SW/4, SW/4NW/4, NE/4NW/4.
(Containing 200 acres, more or less.)

2. The Leased Premises are hereby leased unto Lessee subject to the terms and conditions of the Lease for the purposes of prospecting, exploring, developing, testing, mining and operating for and producing by underground mining methods, whether now or hereafter existing or known, all Coal lying and situated in, on or under the Leased Premises, with the right to store, save, remove, transport, own and market, treat, process or otherwise utilize said Coal, together with all of the mining rights and privileges appurtenant to the said Coal and incident to the ownership thereof.

3. The term of the Lease is for a period of ten (10) years which commenced on the Effective Date, and so long thereafter as Coal is produced from the Leased Premises.
IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Underground Coal Lease and the Underground Coal Lease to be signed by their proper officers thereunto duly authorized effective as of the Effective Date.

C&B Energy LLC

By: [Signature]
Its: [Title]

Canyon Fuel Company, LLC

By: [Signature]
Its: [Title]

STATE OF UTAH )
COUNTY OF Utah ) ss.

On the 30th day of July, 2002, personally appeared before me Glenn F. Cook, the General Manager of C&B Energy, LLC, who signed the foregoing instrument on behalf of C&B Energy, LLC and acknowledged to me that he executed the same.

Marge Lyon
Notary Public
Residing at: American Fork, Utah

STATE OF UTAH )
COUNTY OF SALT LAKE ) ss.

On the 10th day of August, 2002, personally appeared before me Richard D. Pick, the President of Canyon Fuel Company, LLC, who signed the foregoing instrument on behalf of Canyon Fuel Company, LLC and acknowledged to me that he executed the same.

Melissa Wood
Notary Public
Residing at: [Address]
CARBON COUNTY COAL LEASE

INCORPORATED
EFFECTIVE:

AUG 16 2002

UTAH DIVISION OIL, GAS AND MINING
PRICE FIELD OFFICE
CONSENT, RATIFICATION AND AMENDMENT OF LEASE AND AGREEMENT

This CONSENT, RATIFICATION AND AMENDMENT OF LEASE AND AGREEMENT ("Agreement"), dated as of the Effective Date (defined below), is by and between Carbon County, a body corporate and politic of the State of Utah ("County") and Canyon Fuel Company, L.L.C., a Delaware limited liability company ("CFC").

Recitals

A. The County has heretofore entered into a Lease and Agreement dated October 5, 1977, with Murco Coal Company, as amended from time to time ("Coal Lease") whereby the County granted to Murco, as lessee, the exclusive right to mine and dispose of all coal in, to and under lands located in Carbon County, Utah, and more particularly described on Exhibit A hereto ("Lease Lands"). The Coal Lease was filed for recording on November 10, 1977, recorded in Book 173 at page 659 of the records of the Carbon County Recorder. A copy of the Coal Lease is attached as Exhibit B.

B. By Assignment of Coal Lease dated the Effective Date (defined below), EF Coal Resources Limited Partnership ("Energy Fuels"), successor in title under the Coal Lease, assigns, transfers and sells to CFC all of Energy Fuels’ right, title and interest in and to the Coal Lease subject to the consent of the County ("Energy Fuels Assignment").

C. The County desires to consent to the Energy Fuels Assignment, ratify the Coal Lease, and amend the Coal Lease as set forth in this Amendment.

D. CFC desires to obtain the County’s consent and ratification, and to assume the Coal Lease as amended by this Amendment.

Agreement

NOW, THEREFORE, for and in consideration of Ten Dollars ($10.00), the mutual covenants contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Consent. The County hereby consents to the transfer of the Coal Lease to CFC in accordance with the terms of the Energy Fuels Assignment.

2. Ratification. The County hereby ratifies and confirms the Coal Lease, as amended by this Amendment, and represents that, as of the Effective Date (defined below):

(a) The Coal Lease is valid and in full force and effect in accordance with its terms and covers the Lease Lands; there are no defects under the Coal Lease; and default, occurred which, with the lapse of time or the giving of notice, or both, would constitute such a default.
(b) All rentals, royalties, advance rentals and royalties and assessments have been timely and properly paid, and no rentals, royalties or assessments are delinquent or due under the Coal Lease.

(c) The County has received advance rentals from lessees of the Coal Lease in the aggregate amount of $625,000 ("Advance Payments"). CFC may credit the Advance Payments against Production Royalties as they accrue under the Coal Lease.

3. Amendment. The Coal Lease is hereby amended as follows:

(a) The lease agreement is retitled "Coal Lease."

(b) Sections 2, 3, 4, 5, and 6 are deleted in their entirety.

(c) The following paragraphs are adopted and shall be inserted into the Coal Lease to replace the deleted sections as numbered:

Section 2. This Coal Lease, as amended, shall remain in full force and effect for a period of twenty (20) years from the Effective Date of this amendment ("Amendment Date") and for so long thereafter as coal is produced from the Lease Lands. This Coal Lease shall be subject to readjustment of lease terms at the end of the 20th lease year from and after the Amendment Date and each 10-year period thereafter, provided, however, that all such readjustments shall not result in the adoption of terms and conditions more stringent than those applicable to federal coal leases issued for other lands located in the County. Lessee at its sole discretion may at any time terminate this Coal Lease or surrender all or part of the Lease Lands without any further obligation or liability to Lessor except for payments then due and payable or accrued at the time of termination or surrender.

Section 3. Lessee shall pay Lessor rental annually and in advance for each acre of fraction thereof during the continuance of the lease at the rate of $3.00 for each lease year. Annual rentals shall not be credited against Production Royalties. Except for the payment of annual rentals Lessee shall not be required to pay minimum advanced royalties, conduct any mining operations, or meet any diligence development or continued operation requirements in order to maintain this Coal Lease in full force and effect.

Section 4. Lessee shall pay Lessor a production royalty at the rate of eight percent (8%) of the value of the coal produced from the Lease Lands ("Production Royalty"). The parties adopt by reference the regulations set forth at 30 C.F.R., Part 206, Subpart F ("Federal Royalty Regulations") for purposes of determining the Production Royalty, including without limitation, determining the
“value” of coal produced from the Lease Lands. Accrued Production Royalties shall be payable to Lessor the final day of the month succeeding the calendar month in which the royalty obligation accrues. Lessee shall have a credit in the amount of $625,000 for advance rental payments previously made to Lessor (“Advance Payments”). Advance Payments shall be credited against Production Royalties as such Production Royalties become due and payable to the County, and Lessee shall have no obligation to pay to Lessor Production Royalties until all Advance Payments have been set off against accrued Production Royalties.

Section 5. Lessee shall have the right to mine coal from the Lease Lands by underground, auger, borehole, drilling, and in-situ solution method, with the exclusive right to store, save, remove, transport, own, sell and market, treat, process, and stockpile, commingle or otherwise utilize the coal, together with all rights-of-ways, easements and servitudes on, to and over the Lease Lands as may be necessary, useful or convenient for such purposes, and the right of ingress and egress therefore; the right to construct, use, maintain, repair, replace and relocate any and all facilities and structures on and in the Lease Lands as may be necessary, useful or convenient in connection with such operations on the Lease Lands; and the right to use the Lease Lands for access to and transportation of coal from adjacent lands.

Section 6. Lessee shall have the sole and exclusive right to determine the amount of mining to be conducted on or in connection with the Lease Lands, and there shall be no obligation on Lessee, and no covenant is implied, to mine, remove or produce coal from the Lease Lands.

4. Nothing in this Agreement shall, nor shall it be interpreted to, amend, modify or waive any provision of the Coal Lease except as expressly provided for herein. The parties shall prepare and file for recording in the real property records of Carbon County, Utah, a short form notice of the Coal Lease, as amended.

5. This Agreement, together with the consent and amendment effectuated hereby, shall be effective for all purposes as of the date of the Energy Fuels Assignment (“Effective Date”).

6. This Agreement may be executed by the parties in any number of counterparts, each of which shall be deemed 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.

INcorporated
EFFECTIVE:
Aug 16 2002
Utah Division Oil, Gas and Mining
Price Field Office
EXECUTED and DELIVERED this ___ day of May, 2002, to be effective for all purposes as of the Effective Date.

Carbon County, a body corporate and politic of the State of Utah.

By: [Signature]
Commissioner

By: [Signature]
Commissioner

By: [Signature]
Commissioner

County Clerk

Canyon Fuel Company, L.L.C., a Delaware limited liability company

By: [Signature]
President

INTEGRATED EFFECTIVE:
AUG 16 2002

UTAH DIVISION OIL, GAS AND MINING PRICE FIELD OFFICE
Exhibit A

to
Consent, Ratification and Amendment of Lease and Agreement

LEASE LANDS

Township 12 South, Range 6 East, SLB&M
Section 24: E1/2SE1/4
Section 25: E1/2E1/2
Section 36: N1/2N1/2; S1/2S1/2

Township 12 South, Range 7 East, SLB&M
Section 30: SW1/4
Section 31: NW1/4NW1/4; SE1/4SW1/4

Township 13 South, Range 6 East, SLB&M
Section 1: W1/2
Section 12: NW1/4NW1/4; SW1/4SW1/4

Total Acreage Twelve Hundred (1200) Acres More or Less.
Exhibit B
to
Consent, Ratification and Amendment of Lease and Agreement

Coal Lease
LEASE AND AGREEMENT

THIS LEASE AND AGREEMENT MADE AND ENTERED INTO THIS 5TH DAY OF OCTOBER, 1977 BY AND BETWEEN CARBON COUNTY, A BODY CORPORATE AND POLITIC OF THE STATE OF UTAH, HEREINAFTER REFERRED TO AS "LESSOR", AND MURCO COAL COMPANY, A CORPORATION WITH ITS PRINCIPAL OFFICE AT ELDORADO, ARKANSAS, HEREINAFTER REFERRED TO AS "LESSEE".

WITNESSETH:

1. LESSOR HEREBY LEASES TO LESSEE THE EXCLUSIVE RIGHT AND PRIVILEGE TO MINE AND DISPOSE OF ALL COAL IN THE FOLLOWING DESCRIBED TRACTS OF LAND SITUATED IN CARBON COUNTY, STATE OF UTAH:

   TOWNSHIP 12 SOUTH, RANGE 6 EAST, SLBM
   • SECTION 24: E4SE4
   • SECTION 25: E4SE4
   • SECTION 36: N4SE4; S4S4

   TOWNSHIP 12 SOUTH, RANGE 7 EAST, SLBM
   • SECTION 30: SW1/4
   • SECTION 31: NW1/4NW1/4; SE1/4SW1/4

   TOWNSHIP 13 SOUTH, RANGE 6 EAST, SLBM
   • SECTION 1: W1/4
   • SECTION 12: NW1/4NW1/4; SW1/4SW1/4

   TOTAL ACREAGE TWELVE HUNDRED (1200) ACRES MORE OR LESS.

2. THIS LEASE AND AGREEMENT SHALL COMMENCE ON NOVEMBER 17, 1977, AND SHALL EXTEND THEREAFTER FOR A PERIOD OF NINE (9) YEARS.

3. COMMENCING ON NOVEMBER 17, 1977, LESSEE AGREES TO PAY THE LESSOR ANNUALLY IN ADVANCE, AND THEREAFTER FOR A PERIOD OF THREE (3) YEARS, THE SUM OF TWELVE HUNDRED AND NO/100 DOLLARS ($1200.00).

4. LESSEE AGREES THAT AT ITS OPTION IT WILL COMMENCE A MINING OPERATION UPON THE LEASED PREMISES NOT LATER THAN NOVEMBER 17, 1980, OR IN THE ALTERNATIVE THAT IT WILL PAY TO LESSOR ANNUALLY IN ADVANCE THE SUM OF TWENTY FIVE THOUSAND AND NO/100 DOLLARS ($25,000.00) COMMENCING ON NOVEMBER 17, 1980, AND FOR SIX (6) YEARS THEREAFTER.
5. All advance rental credited against the first royalties as they accrue under this lease. Lessee agrees to pay lessor a royalty of fifteen cents (15¢) on every ton of 2,000 pounds of clean coal mined during the term of the lease. Royalties shall be payable quarterly within thirty (30) days from the expiration of the quarter in which the coal is mined. All payments due hereunder shall be paid at the treasurer's office of lessor at Price, Utah.

6. Lessee is hereby granted and shall have an option to extend the term of this lease for successive five-year terms so long as it is not in default hereunder. Said options shall be exercised by lessee delivering to lessor at least three months prior to the expiration of the nine-year primary term or any five-year term, written notice of its intention to so extend the term of this lease.

(A) Before the commencement of any five-year renewal term hereunder the amount of royalty per ton due during said renewal term may be renegotiated between the parties. In no event, however, shall the renegotiated royalty rate exceed the rate charged for underground mining by the federal government on coal lands in the vicinity of the lands above described.

(B) If lessee extends this lease into any of the five-year option periods, lessee agrees that, at its option, it will commence a mining operation upon the leased premises not later than November 17, 1986, or in the alternative that it will pay to lessor annually in advance the following amounts on the following dates:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 17, 1986</td>
<td>$50,000.00</td>
</tr>
<tr>
<td>November 17, 1987</td>
<td>$75,000.00</td>
</tr>
<tr>
<td>November 17, 1988</td>
<td>$100,000.00</td>
</tr>
<tr>
<td>November 17, 1989</td>
<td>$125,000.00</td>
</tr>
<tr>
<td>November 17, 1990</td>
<td>$150,000.00</td>
</tr>
<tr>
<td>And each succeeding November 17th thereafter</td>
<td>$150,000.00</td>
</tr>
</tbody>
</table>

(C) Nothing herein shall obligate lessee to mine and remove coal if lessee can reasonably demonstrate that it is not economically feasible.

7. Lessee agrees that any mining done on said property shall be in a workmanlike manner in accordance with
GOOD AND ECONOMICAL MINING PRACTICES WITH DUE REGARD TO THE
SAFETY, DEVELOPMENT AND PRESERVATION OF SAID PREMISES.
LESSEE AGREES TO COMPLY WITH THE LAWS OF THE STATE OF UTAH,
RULES AND REGULATIONS OF THE INDUSTRIAL COMMISSION OF UTAH
AND LAWS OF THE UNITED STATES OF AMERICA AND WITH ALL OTHER
LAWS, RULES AND REGULATIONS WHICH MAY HEREAFTER BE ENACTED
OR PROMULGATED IN THE INTEREST OF SAFETY AND WORKMANLIKE
OPERATIONS OF THE PREMISES CONTAINED IN THIS LEASE.

8. LESSEE AGREES AT REASONABLE TIMES AND AS
REQUESTED BY THE APPROPRIATE OFFICIAL OF LESSOR TO FURNISH A
PLAT OR MAP SHOWING DEVELOPMENT WORK AND IMPROVEMENTS ON THE
LEASED PREMISES, AND TO FURNISH IN SUCH FORM AS LESSOR MAY
REQUEST, WITHIN THIRTY (30) DAYS FROM THE EXPIRATION OF EACH
QUARTER, A REPORT CERTIFIED BY LESSEE OR ITS AGENT OR REPRESENTATIVE HAVING PERSONAL KNOWLEDGE OF THE FACTS.

9. LESSEE AGREES TO PERMIT, AT REASONABLE TIMES,
INSPECTION OF THE PREMISES BY AN AUTHORIZED REPRESENTATIVE
OF LESSOR AND TO PERMIT INSPECTION AND THE MAKING OF COPIES
OF EXTRACTS OF ALL BOOKS AND RECORDS PERTAINING TO OR DISCLOSING
THE OPERATION AND/OR REMOVAL OF COAL FROM THE LEASED PREMISES.

10. LESSEE AGREES TO PAY, WHEN DUE, ALL TAXES
LAWFULLY ASSESSED BY THE STATE OF UTAH, UPON IMPROVEMENTS OR
OUTPUT OF COAL ON OR FROM THE LEASED PREMISES.

11. UPON TERMINATION OF THIS LEASE BY FORFEITURE
OR BY EXPIRATION OF THE TERMS HEREIN PROVIDED, THE LESSEE
SHALL HAVE THEN THE PRIVILEGE AT ANY TIME WITHIN EIGHTEEN
(18) MONTHS THEREAFTER TO COMPLETE NECESSARY RECLAMATION
WORK REQUIRED BY STATUTE AND TO REMOVE FROM THE LEASED
PREMISES ALL MACHINERY, EQUIPMENT, TOOLS AND MATERIALS OTHER
THAN UNDERGROUND ROOF SUPPORT WHICH IS NECESSARY FOR THE
PRESERVATION OF THE MINE. UPON EXPIRATION OF THE EIGHTEEN-
MONTH PERIOD ANY OF THE AFOREDESCRIBED PROPERTY OF LESSEE,
WHICH REMAINS ON OR IN THE LEASED PREMISES, SHALL BECOME THE
PROPERTY OF LESSOR.

INCORPORATED
EFFECTIVE:
AUG 16 2002

Utah Division Oil, Gas and Mining
Price Field Office
12. LESSEE SHALL HAVE NO RIGHT TO ASSIGN OR TRANSFER THIS LEASE OR SUBLEASE SAID PROPERTY OR ANY PORTION THEREOF WITHOUT THE WRITTEN CONSENT OF THE LESSOR FIRST OBTAINED. LESSOR NOW CONSENTS, HOWEVER, THAT LESSEE MAY ASSIGN THIS LEASE WITHOUT THE WRITTEN CONSENT OF LESSOR TO: MURPHY OIL COMPANY; ANY WHOLLY OWNED SUBSIDIARY OF MURPHY OIL COMPANY; CENTURION INVESTMENT COMPANY; OR ANY WHOLLY OWNED SUBSIDIARY OF CENTURION INVESTMENT COMPANY.

13. IF ANY PORTION OF THE RENTS OR ROYALTIES FALLING DUE UNDER THE TERMS OF THIS LEASE SHALL REMAIN UNPAID FOR A PERIOD EXCEEDING THIRTY (30) DAYS, OR IF THE LESSEE SHALL FAIL TO RECTIFY ANY OTHER DEFAULT HEREUNDER WITHIN NINETY (90) DAYS AFTER SERVICE OF WRITTEN NOTICE THEREOF BY LESSOR, THEN AND IN SUCH EVENT, AT THE OPTION OF LESSOR, THIS LEASE MAY BE FORFEITED AND THE LESSOR MAY EXERCISE ALL RIGHTS OF ENTRY AND RE-ENTRY UPON THE LEASED PREMISES, PROVIDED, NEVERTHELESS, IF BY THE NATURE OF THE REMEDIAL WORK REQUIRED, IT CANNOT WITH REASONABLE DISPATCH BE CURED WITHIN A PERIOD OF NINETY (90) DAYS, THEN IF UPON SERVICE OF SAID WRITTEN NOTICE LESSEE IN GOOD FAITH COMMENCES AND WITH REASONABLE DISPATCH UNDER THE CIRCUMSTANCES THEREAFTER CONTINUES TO RECTIFY THE DEFAULT, LESSOR SHALL NOT FORFEIT OR TERMINATE THIS LEASE ON ACCOUNT OF THE DEFAULT BEING SO REMEDIED.

14. LESSOR DOES NOT WARRANT TO LESSEE THAT IT IS THE OWNER OF THE ABOVE DESCRIBED PROPERTY OR THE COAL CONTAINED THEREIN. IT IS AGREED, HOWEVER, THAT IF IT IS LEGALLY DETERMINED THAT LESSOR DOES NOT OWN THE COAL UNDER ANY OF THE LEASED LAND THEN THE LESSEE SHALL NOT BE REQUIRED TO PAY FUTURE RENTAL ON SUCH ACREAGE BUT THIS AMENDED LEASE SHALL REMAIN IN FULL FORCE AND EFFECT WITH RESPECT TO THE COAL ACREAGES OWNED BY LESSOR AND ANNUAL RENTAL SHALL BE PRO-RATED ACCORDINGLY. ON ANY ACREAGE SO DELETED, LESSEE SHALL NOT BE ENTITLED TO ANY REFUND OF ANNUAL RENTALS THERETOFORE PAID TO LESSOR.

INCORPORATED
EFFECTIVE:
AUG 16 2002
UTAH DIVISION OIL, GAS AND MINING
ORI GINAL FILED OFFICE
15. LESSEE SHALL HOLD LESSOR HARMLESS ON ACCOUNT OF ANY AND ALL LIABILITY ARISING OUT OF LESSEE'S OPERATIONS ON THE LEASED PREMISES.

16. NOTICES PROVIDED HEREIN SHALL BE GIVEN IN WRITING TO THE PARTIES AS FOLLOWS:
   IF TO LESSOR: CARBON COUNTY COURT HOUSE BUILDING PRICE, UTAH 84501
   ATTN: COUNTY CLERK
   IF TO LESSEE: MURCO COAL COMPANY 200 JEFFERSON AVENUE ELDORADO, ARKANSAS 71730
   ATTN: PRESIDENT

17. THIS LEASE AND AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT UNDERSTANDING BETWEEN THE PARTIES HERETO.

WITNESS THE HANDS OF THE PARTIES HERETO IN TRIPPLICATE AS OF THE DATE FIRST ABOVE SET FORTH.

CARBON COUNTY, A BODY CORPORATE AND POLITIC OF THE STATE OF UTAH

BY ________________
COMMISSIONER

BY ________________
COMMISSIONER

BY ________________
COMMISSIONER

MURCO COAL COMPANY, A CORPORATION

BY ________________
ITS PRESIDENT

INCORPORATED EFFECTIVE:
AUG 16 2002

Utah Division Oil, Gas and Mining Price Field Office

- 5 -
STATE OF UTAH   )  SS.
COUNTY OF CARBON  )

PERSONALLY APPEARED BEFORE ME THIS 5th DAY OF
OCTOBER, 1977, JAMES P. SIMONE, LEE SEMKEN, AND
FLOYD MARX, WHO DULY ACKNOWLEDGED TO ME THAT THEY SIGNED THE
FOREGOING DOCUMENT AS COMMISSIONERS FOR AND ON BEHALF OF
CARBON COUNTY, A BODY CORPORATE AND POLITIC OF THE STATE OF

JAMES T. RENSE
NOTARY PUBLIC
RESIDING AT PRICE, UTAH

INTEGRATED OIL, GAS AND MINING
PRICE FIELD OFFICE
AUG 16 2002
1651
MEMORANDUM OF ASSIGNMENT OF COAL LEASE

This MEMORANDUM OF ASSIGNMENT OF COAL LEASE ("Memorandum"), dated effective as of August 1st, 2002 ("Effective Date") is by and between EF Coal Resources Limited Partnership a Colorado limited partnership, with principal offices at 385 Inverness Drive South, Suite 200, Englewood, Colorado 80112 ("Assignor") and Energy Fuels Corporation with principal offices at 385 Inverness Drive South, Suite 200, Englewood, Colorado 80112 ("Energy Fuels"), and Canyon Fuel Company, L.L.C., a Delaware limited liability company, with principal offices at 6955 South Union Park Center, Suite 540, Midvale, Utah 84047 ("Assignee").

WHEREAS, Assignor is the current and sole lessee under and pursuant to that certain Lease and Agreement dated October 5, 1977, by and between Carbon County, a body corporate and politic of the State of Utah ("County"), and Murco Coal Company, filed for recording on November 10, 1977, recorded in Book 173 of Records at page 659 in the Offices of the Carbon County Recorder, Price, Utah, and as amended by the First Amendment dated January 27, 1988 ("Coal Lease"), covering and relating to lands situated in Carbon County, Utah, and more particularly described on Exhibit A hereto ("Lease Lands"), and,

WHEREAS, Assignor and Assignee have entered into an Assignment of the Coal Lease dated as of the Effective Date ("Assignment") and desire to provide notice of the Assignment in the records of the Carbon County Recorder.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Assignor has granted, sold, transferred and assigned to Assignee upon the terms set forth in the Assignment, and does hereby grant, sell, transfer and assign unto Assignee as of the Effective Date, all of Assignor's right, title and interest in and to the Coal Lease, together with all rights, privileges and benefits relating thereto, including, without limitation, Assignor’s rights to advance rental credits that have accrued to Assignor under the Coal Lease; and

RESERVING unto Assignor an overriding production royalty equal to five percent (5%) of the value of coal produced from the Lease Lands and subject to the terms and conditions of the Assignment and as set forth herein ("Overriding Production Royalty"); and further

SUBJECT to the exceptions, reservations, terms and conditions contained in the Assignment and herein;

TO HAVE AND TO HOLD the Coal Lease, together with all and singular the rights and appurtenances thereto and anywise belonging unto Assignee, its successors, assigns and legal representatives, forever.
TERMS AND CONDITIONS

1. Advance Payments.

(a) Upon execution of the Assignment, Assignee has paid to Assignor an initial advance payment in an amount set forth in the Assignment ("Initial Advance Payment"). Fifty percent (50%) of the Initial Advance Payment shall be a credit against and recoupable by Assignee from all payments due as Overriding Production Royalty under the Assignment.

(b) On or before the fifth (5th) annual anniversary date (60 months) from the Effective Date, and annually thereafter on or before each anniversary date of the Assignment for so long as Assignee owns a leasehold interest in the Coal Lease sufficient to permit Assignor to mine and produce coal, Assignee shall pay to Assignor an annual advance royalty in an amount set forth in the Assignment ("Annual Advance Royalty"). One hundred percent (100%) of the Annual Advance Royalty shall be a credit against and recoupable by Assignee from all payments due as Overriding Production Royalty under the Assignment.

2. Overriding Production Royalty.

(a) The parties adopt by reference the regulations set forth at 30 C.F.R., Part 206, Subpart F ("Federal Royalty Regulations") for purposes of determining the Overriding Production Royalty, including without limitation, determining the "value" of coal produced from the Lease Lands. Except as otherwise expressly provided herein, all calculations of the Overriding Production Royalty shall be made pursuant to the Federal Royalty Regulations and applicable Federal rules and regulations hereafter enacted or adopted.

(b) Overriding Production Royalty shall be due the final day of the month succeeding the calendar month in which coal produced from the Lease Lands is used, sold or otherwise finally disposed of. Assignee shall have a credit against Overriding Production Royalties that accrue under the Assignment and become due and payable to Assignor in the aggregate sum of fifty percent (50%) of the Initial Advance Payment and one hundred percent (100%) of all Annual Advance Royalty payments made by Assignee under the Assignment ("Royalty Credit"). The Royalty Credit shall be cumulative and carried over from year to year until fully applied. No Overriding Production Royalty shall be payable except to the extent that Overriding Production Royalty payments which become payable exceed the Royalty Credit.

(c) Assignee shall keep a true and correct record of all coal mined, removed and sold from the Lease Lands. Assignee shall maintain accurate and complete accounting records in support of all Overriding Production Royalty paid with respect to coal production from the Lease Lands in accordance with the standard for Federal royalty as set out in the Federal Royalty Regulations, and generally recognized accounting principles and practices. Assignee shall provide Assignor with a monthly statement reporting the coal produced from the Lease Lands during the preceding month, the amount of the Overriding Production Royalty applicable to the produced coal and calculated pursuant to the Federal Royalty Regulations, and an accounting showing application of the Royalty Credit against accrued Overriding Production Royalties.
(d) Assignor shall have the right after a thirty (30)-day prior written notice to Assignee to examine, audit and reproduce the records, vouchers and their source documents which serve as the basis for Overriding Production Royalty payments. Audit findings may be contested by either party. In the event of a dispute over audit findings by one of the parties, the parties shall jointly appoint an independent accounting firm to conduct a joint audit ("Joint Audit"). The party requesting the audit shall be responsible for all costs and expenses to conduct the audit, provided that the parties shall jointly share the costs and expenses incurred to conduct one Joint Audit annually at the request of either party. The conclusions of the independent accounting firm shall be binding on the parties.

(e) After coal from the Lease Lands has been measured by any manner as will permit the computation of the Overriding Production Royalty, Assignee may commingle the same with coal from lands other than the Lease Lands. Assignee shall have the right at any time to form an operating mining unit of such size and shape as Assignee may elect for the production of coal and to include the Lease Lands in such mining unit when in Assignee’s judgment it is desirable to do so.

3. Lesser Interest. If Assignor owns a lesser interest in the Coal Lease than the entire and undivided leasehold estate or if the Coal Lease covers less than the entire coal estate in the Lease Lands, then the Initial Advance Payment and Annual Advance Royalty payments shall be paid to Assignor only in the proportion which its interest bears to the whole and undivided leasehold estate in the Coal Lease or in the proportion which the coal estate covered by the Coal Lease bears to the whole and undivided coal estate in the Lease Lands. If Assignee intends to assert that Assignor owns a lesser interest, Assignee shall provide to Assignor, in writing, an analysis of the basis for Assignee’s conclusions at least 30 days prior to Assignee’s taking any action with respect to such intention. In the event Assignor’s ownership interest is determined to be less than the entire leasehold interest in and to the Coal Lease or the coal estate covered by the Coal Lease is determined to cover less than the entire coal estate in the Lease Lands, then Assignor shall reimburse Assignee for such portion of the Initial Advance Payment and Annual Advance Royalty payments paid in excess of Assignors’ actual ownership interest in the Coal Lease or in excess of the actual coal estate covered by the Coal Lease.

4. No Covenant to Develop or Produce. Assignor and Assignee agree that there are no implied covenants or conditions whatsoever in the Assignment or arising under this Memorandum relating to the exploration, development, mining or production of the Lease Lands for coal or any other mineral or substance which may be covered hereby, it being expressly agreed that Assignee shall have the sole and exclusive right to determine the amount of mining to be conducted on or in connection with the Lease Lands. Assignee shall have the exclusive right to commence or shut down production without breaching the Assignment so long as any payments due to Assignor hereunder are properly made. Assignor expressly acknowledges and understands that no mining of coal or other minerals may occur from the Lease Lands and without such mining Assignor will not receive payment of Overriding Production Royalties and that the Initial Advance Payment and payments of the Annual Advance Royalty constitute full, reasonable, fair and adequate consideration for the rights granted to Assignee by Assignor.
5. Assumption and Indemnification.

(a) Assignee assumes, and hereby agrees to pay, perform and discharge, all obligations under the Coal Lease arising from and after the Effective Date and shall indemnify and hold Assignor harmless from and against any and all claims, damages, obligations, penalties, expenses, costs and fees (including reasonable attorneys' fees) arising out of or relating to Assignee's ownership or operation of the Lease Lands after the Effective Date.

(b) Assignor hereby retains all obligations under the Coal Lease incurred prior to the Effective Date and shall indemnify and hold Assignee harmless from and against any and all claims, damages, obligations, penalties, expenses, costs and fees (including reasonable attorneys' fees) arising out of or relating to Assignor's ownership or operation of the Lease Lands prior to the Effective Date.

6. Termination or Assignment. Assignee at its sole discretion and without any obligation or liability to Assignor may at any time terminate the Coal Lease or surrender part of the Lease Lands, provided that Assignee first offers to Assignor for no consideration the right to reassignment of the Coal Lease or part to be surrendered, in which case, Assignor shall have 30 days to accept reassignment. Upon termination of the Coal Lease for any reason or assignment of the Coal Lease, Assignee shall have no further contractual obligation to make Annual Advance Royalty payments or Overriding Production Royalty payments to Assignor after the date of termination or assignment except for payments that are then due and payable as of the time of termination or assignment.

7. Notices. All notices and other required communications ("Notices") to the parties to this Assignment shall be in writing, and shall be addressed respectively as follows:

Assignor: EF Coal Resources Limited Partnership
Attn: Executive Vice President
385 Inverness Drive South, Suite 200
Englewood, CO 80112

With a copy to:

Energy Fuels Corporation
Attention: President
2145 Resort Drive, Suite 208
P.O. Box 773457
Steamboat Springs, CO 80477

Assignee: Canyon Fuel Company
Attn: Richard D. Pick, President
6955 South Union Park Center, Suite 540
Midvale, UT 84047
With a copy to:

Ark Land Company
Attn: Doug Downing
One CityPlace Drive, Suite 300
St. Louis, MO 63141

Notices shall be given (a) by personal delivery to the other party, or (b) by electronic communication, with a confirmation sent by registered or certified mail, return receipt requested, or (c) by registered or certified mail, return receipt requested. All Notices shall be effective and shall be deemed delivered (a) if by personal delivery on the date of delivery if delivered during normal business hours, and, if not delivered during normal business hours, on the next business day following delivery, (b) if by electronic communication on the next business day following receipt of the electronic communication, and (c) if solely by mail three (3) business days after mailing. A party may change its address by Notice to the other party.


(a) Assignor shall provide Assignee with copies of or access to records evidencing Assignor's past payments to Carbon County under the Coal Lease, and shall use its commercially reasonable efforts to assist Assignee in verifying and obtaining the beneficial use of the total value of advance rental credits paid to Carbon County by Assignor, Energy Fuels, or their respective affiliates, partners or subsidiaries.

(b) The parties shall execute and deliver any such instruments, agreements, documents, permits or applications, or other documents reasonably required for the purposes of the Assignment, and shall do such other acts as may be reasonably requested to effect the purposes of the Assignment.

(c) The Assignment and this Memorandum shall be governed by and interpreted in accordance with the laws of the State of Utah without regard to the conflict of laws provisions thereof.

(d) The Assignment shall not be recorded in its entirety, but either party may prepare and record a notice of the Assignment in the records of the Carbon County Recorder, which notice shall be sufficient to impart notice to third parties of the key provisions of the Assignment.

(e) The Assignment shall not be effective until the consent of the County shall have been received by Assignor in a form reasonably satisfactory to Assignor.

(f) Assignee shall provide to Assignor photocopies of all production reports and other correspondence given by Assignee to County, including evidence of payment of annual rentals under the Coal Lease and any extensions of the Coal Lease, and of all notices of other material correspondence received by Assignee from County.

(g) Assignor, Energy Fuels and Assignee shall take such actions and execute and deliver any such additional instruments or other documents as may be reasonably necessary.
or convenient to implement and carry out the intent and purpose of the Assignment, including without limitation, such title curative instruments as may be necessary to clarify or confirm Assignee’s record title interest in and to the Coal Lease.

9. Successors and Assigns. The rights and obligations of the parties hereunder may be assigned in whole or in part and the provisions hereof shall inure to the benefit of and be binding upon Assignor and Assignee and their respective successors, legal representatives and assigns. No change or division in the ownership of the Annual Advance Royalty or the Overriding Production Royalty shall operate to enlarge the obligations or diminish the rights of Assignee under the Assignment, and no transfer or assignment by Assignor shall be binding upon Assignee for any purpose until ten (10) days after Assignee has been furnished with an instrument or a certified copy thereof evidencing the transfer or assignment. No assignment by Assignee shall relieve Assignee of the obligation to make Annual Advance Royalty payments or Overriding Production Royalty payments to Assignor that are due and payable as of the time of assignment.

10. No Amendment. Nothing contained in this Memorandum shall, nor shall it be interpreted to, amend, modify or waive any provision of the Assignment, and all terms and conditions of the Assignment are hereby incorporated herein as if set forth in their entirety.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]
IN WITNESS WHEREOF, Assignor and Assignee have executed and acknowledged this Memorandum as of the Effective Date.

EF Coal Resources Limited
Partnership, a Colorado limited partnership
By: EF Coal Company, a Colorado corporation
Its General Partner
By: Rich A. Munson
Executive Vice President

Energy Fuels Corporation
By: Rich A. Munson
Executive Vice President

Canyon Fuel Company, L.L.C.
By: Rich A. Munson
Its: EXECUTIVE VICE PRESIDENT

EFFECTIVE: AUG 16 2002

INTEGRATED DATA CORPORATION
PRICE FIELD OFFICE
State of Utah  
County of Salt Lake  

The foregoing instrument was acknowledged before me by Richard D. Pick as President of Canyon Fuel Company, on this 10th day of August, 2002.

MELISSA WOOD  
NOTARY PUBLIC

State of Utah  
County of Salt Lake  

The foregoing instrument was acknowledged before me by Rich A. Munsun as Executive Vice President of EF Coal Company as General Partners of EF Coal Resources Limited Partnership, on this 10th day of August, 2002.

MELISSA WOOD  
NOTARY PUBLIC

State of Utah  
County of Salt Lake  

The foregoing instrument was acknowledged before me by Rich A. Munsun as Executive Vice President of Energy Fuels Corporation, on this 10th day of August, 2002.

MELISSA WOOD  
NOTARY PUBLIC
Exhibit “A”

to

Assignment of Coal Lease

LEASE LANDS

Township 12 South, Range 6 East, SLB&M
Section 24: E1/2SE1/4
Section 25: E1/2E1/2
Section 36: N1/2N1/2; S1/2S1/2

Township 12 South, Range 7 East, SLB&M
Section 30: SW1/4
Section 31: NW1/4NW1/4; SE1/4SW1/4

Township 13 South, Range 6 East, SLB&M
Section 1: W1/2
Section 12: NW1/4NW1/4; SW1/4SW1/4

Total Acreage Twelve Hundred (1200) Acres More or Less.
February 19, 1999

Richard D. Pick
President and CEO
Canyon Fuel Company, LLC
6955 South Union Park Center
Suite 540
Midvale, UT 84047

RE: PacifiCorp Underground Coal Lease - Skyline Mine Near Electric Lake Area, Huntington Canyon, Emery County, Utah

Dear Dick:

Enclosed are duplicate originals of the final version of the referenced Underground Coal Lease, together with duplicate originals of the Memorandum of Underground Coal Lease for your consideration and endorsement. Please sign, notarize and return all four (4) originals to my attention at the above address. Upon receipt of these originals, we'll have an officer of PacifiCorp execute all originals and return one set of originals to you for your files. We will then have the Memorandum of Lease recorded in the Emery County Recorder's Office.

Meanwhile, should you have any questions, please feel free to contact me at 801-220-4612 or by e-mail at scott.child@pacificorp.com.

Sincerely,

Scott M. Child
Property Management Administrator

Enclosures

SMCELECTRICLAKE\CANYONFUEL9901.wpd

cc: IMC (w/copy encl.) - D. Baker, D.W. Jense, R. King
Ark Land Co. (w/copy encl.) - S. McCurdy, D. Downing
John S. Kirkham, Esq. (w/copy encl.)
William Prince, Esq. (w/copy encl.)
UNDERGROUND COAL LEASE

1. Parties

THIS UNDERGROUND COAL LEASE ("Lease"), made effective as of the 1st day of February, 1999, between PACIFICORP, an Oregon corporation (successor-in-interest to UTAH POWER & LIGHT COMPANY) (hereinafter called "Lessor"), whose address is:

PACIFICORP

c/o Interwest Mining Company, Property Administration
One Utah Center, Suite 2300
201 South Main Street
Salt Lake City, UT 84140

and CANYON FUEL COMPANY, LLC, with offices at:

CANYON FUEL COMPANY, LLC
6955 South Union Park Center, Suite 550
Midvale, UT 84047

(herinafter called "Lessee").

2. Grant of Lease

WITNESS that in consideration of the sum of Two Thousand Seven Hundred Seventy-eight and 00/100 Dollars ($2,778.00) in hand paid by Lessee as rental for the first year of this Lease, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by Lessor, and in further consideration of the royalties, covenants and agreements herein set forth, Lessor does hereby grant, demise, lease and let exclusively unto the said Lessee, and the said Lessee leases and takes from the Lessor, for the purposes herein specified, all Coal (as hereinafter defined) situated in, on or under the following described real property, herein called the "Leased Premises," situated in Emery County, State of Utah, including all present interest of Lessor in the coal estate and any after-acquired, reversionary, contingent or future interest of Lessor, to-wit:

Township 14 South, Range 6 East, SLB&M

Section 2: Lots 1, 2, 3 and 4; S½N½; S½ (All)

Section 3: Lots 1 & 2; S½NE¼;
E½SE¼; E½W½SE¼;
NW¼NW¼SE¼

(Containing 925.16 acres, more or less.)
For the purpose of determining the amount of rental payments hereunder, the Leased Premises shall be treated as comprising 926 acres, whether there be more or less.

3. Rights of Lessee

The coal estate in the Leased Premises is hereby leased unto Lessee subject to the terms and conditions herein set forth for the purpose of prospecting, exploring, developing, testing, mining and operating for and producing by underground mining methods, whether now or hereafter existing or known, all Coal lying and situated in or under the Leased Premises, with the right to store, save, remove, transport, own and market, treat, process or otherwise utilize said Coal, together with all of the mining rights and privileges appurtenant to the said Coal and incident to the ownership thereof, provided, however, no mining activity of any kind may occur under Electric Lake or the buffer zone described below. The area of Electric Lake and the buffer zone is shown on Exhibit 1. The buffer zone shall be defined as that area determined by a 22 degree draw angle to the bottom of the Coal seam being mined plus 25 ft. (measured horizontally) from the high water mark of Electric Lake, which is defined as an elevation of 8,575 feet above mean sea level. By way of enlargement, and not by way of restriction, the following rights and privileges are also hereby granted to the extent Lessor has the right so to do:

a. Subject to the limitations regarding Surface Ownership as described in Section 15. Surface Ownership, and the Mitigation of Impacts as required by Section 16. Mitigation of Impacts, the exclusive right and privilege to prospect upon and under the surface overlying the portion of the Leased Premises authorized for mining for Coal; to explore, survey, conduct soil and water sampling and other environmental studies; and to mine, drill, bore, core and test and analyze by any other reasonable means; provided, however, that such operations shall not include stripping of the surface or surface mining and; provided, further, Lessee shall have no right to make use of the surface underlying Electric Lake or the area of the surface contained within the subsidence buffer zone described above.

b. The exclusive right and privilege to enter upon and under, and the free and uninterrupted right-of-way into, upon, over, across and through, the Leased Premises, at such points and in such manner as may be necessary or convenient for the purpose of mining, removing, processing and marketing all of the Coal hereby leased.

c. The right-of-way, right of entry, access, ingress and egress and right to transport over, under, across and through the Leased Premises any Coal now or hereafter owned, leased or otherwise acquired by Lessee and located on lands comprising any portion of the General Mining Area (as hereinafter defined).

d. Subject to the limitations contained in this Lease, the right to use so much of the surface as may be necessary or convenient in conjunction with Lessee's operations hereunder, as long as Lessee does not unreasonably interfere with the use of the surface by the surface owner.

e. The right to include the Leased Premises or any portion thereof with the General Mining Area in any plan of unitization for Coal or a Federal logical mining unit pursuant to any such unitization, and so that operations or mining in any portion of the Leased Premises
shall be deemed operations or mining on the logical mining unit for Federal diligent development and continued operations requirements.

f. The right to subside, collapse, sink, lower, and alter the surface, subsurface, and superadjacent strata of the portion of the Leased Premises authorized for mining as a result of Lessee’s permitted operations hereunder.

All the rights of the Lessee under this Lease shall continue to exist during the hereinafter specified term.

For the purposes of this Lease, the term “Coal” is used in its commonly accepted meaning and shall include any seam, vein, bed, strata or deposit, from the lowest grade of lignite through the highest grade of anthracite, both inclusive, and all constituent products thereof mixed with or encountered when mining Coal in whatever physical state or form produced, and all impurities and other minerals of every nature and type of substance associated or commingled therewith. Coal shall include methane or Coal bed methane and other naturally-occurring gases contained within the seam being mined, herein referred to as “Coal Seam Gas.” Lessee shall have the right to vent any gases or Coal Seam Gas encountered in Lessee’s mining operations as a safety measure without liability or accountability of any nature whatsoever to Lessor, but Lessee shall not have the right to commercially exploit any such gases or Coal Seam Gases. The rights hereby granted to Lessee shall not include mining or extraction rights with respect to oils, gases or other minerals other than Coal as defined herein, which rights are reserved exclusively unto the Lessor. The leasing, exploration for, or development of other minerals or substances other than Coal shall not interfere with the Coal mining operations of the Lessee during the term of this Lease.

4. Term

Subject to the other provisions herein, this Lease shall remain in effect for a primary term of ten (10) years from the effective date hereof. At the end of the primary term the parties shall bargain in good faith should Lessee seek a renewal of the Lease, but any such renewal shall be subject to a readjustment of terms to protect the best interests of the Lessor.

5. General Mining Area

For purposes of this Lease, the term “General Mining Area” shall cover and include the Leased Premises together with that portion of the following lands located in Emery County, State of Utah and lying North and West of the Connelville Fault (hereinafter defined):

Township 13 South, Range 6 East, SLB&M
Sections: 13, 14, 15, 22, 23, 24, 25, 26, 27, 34, and 35

6. Rental

Within one (1) year from the effective date hereof, and on or before each anniversary date thereafter during the primary term and any continuation of the term, this Lease shall be kept in
full force and effect for the next ensuing year by the Lessee's payment to Lessor of a rental in the amount of $3.00 per acre.

Subject to the right of Lessee to terminate this Lease in whole or in part, rental payments as set forth above shall be made annually whether in the primary term or the continuing term of this Lease, regardless of whether or not there is production of Coal from the Leased Premises or the General Mining Area. Temporary suspension of actual mining and production of Coal by Lessee during the primary term shall be without prejudice to its right to resume operations as long as rental payments are made as herein provided.

Rental payments made pursuant to this Lease shall not be recouped, credited or set off against production royalty payable under this Lease.

7. Lease Bonus Payment

To compensate Lessor for the fair market value of the interest herein leased even though the amount of recoverable tons of Coal potentially minable under this Lease is uncertain, Lessee shall pay to Lessor a lease bonus payment at the time Coal is mined, removed and sold, which payment shall be in addition to the royalties hereinafter provided. The lease bonus payment shall be in the amount of twenty-five cents ($0.25) per ton (2,000 pounds) of Coal actually mined, removed and sold from the Leased Premises and shall be payable at the same time, on the same tonnage, and in the same manner as the Production Royalty.

8. Production Royalty

Lessee shall pay to Lessor as a production royalty for all Coal actually mined, removed and sold from the Leased Premises, the greater of (i) sixty cents ($0.60) per ton (as calculated in this Section 8); or (ii) the sum of four percent (4%) of Gross Realization (as hereinafter defined in Section 9. Gross Realization).

For purposes of determining the weight of the Coal produced from the Leased Premises, Lessee shall complete volumetric surveys on a monthly basis as of the last day of each calendar month of all active mining areas contributing to the commingled Coal produced from the General Mining Area and any other areas as to which Coal is commingled prior to the first certified weighing of the Coal being produced by Lessee.

A preliminary calculation of the weight of the Coal produced from the various separately owned properties shall be made by multiplying the total cubic feet of mined area during the month by 80 pounds per cubic foot and dividing by 2,000 pounds per ton to determine the number of tons of Coal produced from the Leased Premises and all other premises contributing to the commingled Coal. Based upon the preliminary calculation, the portion of the Coal produced during the month from the Leased Premises and each of the other properties shall be calculated as a percentage of total production stated to three places past the decimal (resulting in five figures). The percentage so determined shall then be used to determine the tonnage actually produced from each individual lease or area based upon certified weights. If Coal is stockpiled or otherwise delayed in any way prior to the certified weighing, Lessee shall make all calculations necessary to accurately determine the amount of Coal produced from the Leased Premises.
Premises and any such formulas and calculation methods shall be subject to the approval of Lessor before implementation. It is the expressed intent of the parties that all weights be determined and allocated among the various properties as accurately as possible under the circumstances of Lessee's operations.

Production royalty due and payable for Coal actually mined, removed and sold from the Leased Premises during any calendar month shall be paid on or before the last day of the next succeeding calendar month, and all production royalty due and unpaid for thirty (30) days shall be a lien on Lessee's equipment on the Leased Premises. In the event Lessee fails to pay any rent or royalty when due, said late payment shall be subject to the payment of interest from the due date to the date of payment at the rate of one and one-half percent (1½%) per month compounded monthly. Any amount unpaid for more than thirty (30) days after its due date shall be deemed a breach of this Lease and Lessor shall be free to pursue any remedy available in law or at equity.

9. Gross Realization

Gross Realization shall have the same meaning as the term "Gross Proceeds" as defined from time to time in 30 C.F.R., Part 206, Subpart F, with respect to Federal Coal leases within the General Mining Area. The value and time of payment for royalty purposes with respect to Coal from the Leased Premises shall be determined under the provisions of such subpart applicable to Federal ad valorem Coal leases, including amendments thereto and administrative and judicial interpretation thereof which shall include, without limitation, any deductions, adjustments or allowances now existing or hereafter permitted in calculating royalty due under Federal Coal leases.

10. Records and Accounts

Lessee shall keep a true and correct record of all Coal mined, removed and sold from the Leased Premises, the General Mining Area and all other areas used in the calculation of royalties. Lessee shall maintain accurate and complete accounting records in support of all royalties paid with respect to production from the Leased Premises in accordance with the standard for federal royalties as set out in 30 C.F.R., Part 206, Subpart F and generally recognized accounting principles and practices.

On or before the last day of each calendar month following the month during which Lessee shall commence actual mining operations on the Leased Premises and for the remaining term of this Lease, Lessee shall furnish Lessor, at the address shown in Section 1. Parties, a true and correct statement showing the tons of Coal actually mined, removed, and sold during the preceding calendar month from the Leased Premises, the General Mining Area, and all other areas whose production is commingled with Coal produced from the Leased Premises prior to the first certified weighing of Coal being produced by Lessee. Lessor, or its audit representatives, shall have the right at any reasonable time or times to examine, audit and reproduce the records, vouchers and their source documents which serve as the basis for royalty payments.
Lessee shall assist Lessor with preparing necessary audit material and will allow Lessor to review any work papers prepared by independent auditors as allowed by professional standards.

Audit findings by Lessor or Lessor's representative will be considered to be final and conclusive on Lessee for the period audited. Any overpayments shall be returned to Lessee or under payments paid to Lessor within thirty (30) days from the date of notice of over/under payment.

Lessee shall also provide to Lessor, without cost, no more frequently than monthly, copies of mine maps and other records pertaining to mining. Such maps and records shall be in the same form and format as provided to the Bureau of Land Management with respect to Federal leases in the General Mining Area. All such maps and records of Lessee kept in the ordinary course of its business, and all payments made in accordance therewith, shall be presumed to be accurate after a period of three (3) years if Lessor has made no objection to the content of such maps and records by that date.

11. Covenants, Conditions and Obligations related to Water

In its operations on the Leased Premises, Lessee shall strictly adhere to the following covenants, conditions and obligations relating to water:

a. At any time mining has approached within 500 feet of Lessee's projection as to the expected location of the Connelville Fault, Lessee will probe by horizontal drilling at least 100 feet ahead of mine development workings. If the horizontal drilling identifies any fault or aquifer containing sufficient water to cause a disruption of normal mining procedures, then Lessee agrees that it will not allow development workings to approach closer than 100 feet from said fault or aquifer. For the purposes of this Lease, the reference to the Connelville Fault shall mean and have reference to the fault and/or fault zone depicted on Exhibit 1 running generally in a northeast/southwest direction and located in the vicinity of the Northeast Corner of Section 35, Township 13 South, Range 6 East, SLB&M.

b. Prior to the conduct of any mining operations on the Leased Premises, Lessee shall establish a water monitoring plan which shall provide for the periodic measurement and chemical analysis of any sustained in-mine flows which are greater than those encountered under normal mining conditions. Such monitoring plan shall include, but not be limited to, documentation of all encountered sustained water sources, chemical analysis of abnormally high flows encountered, and the monitoring of surface sources within the area included within the cumulative hydrologic impact assessment for the mine permit to document the relationships, if any, between underground and surface water. The plan shall be submitted in writing to Lessor prior to its implementation in order for Lessor to verify its compliance with this requirement. Without Lessee's consent, Lessor shall not require any monitoring or defined analysis work which imposes water quality testing requirements in excess of those contained in the approved mining permit.

c. In the event any surface water resource (i.e., reservoir, creek, spring, etc.) or state-appropriated water is affected by contamination, diminution or interruption resulting
from Lessee's underground Coal mining operations, Lessee shall promptly replace such water in accordance with a replacement plan which shall be submitted in writing to Lessor. Replacement, in the event of contamination, may include, but shall not be limited to, remediation. Lessee shall not implement a replacement plan that affects water or water rights owned by Lessor until Lessor has received a copy of the plan. A water replacement plan shall be submitted to Lessor within thirty (30) days of the first indication that a surface water resource or other state-appropriated water has been affected by Lessee's underground Coal mining operations. Implementation of the plan shall occur no later than thirty (30) days following submission of the plan to Lessor. Potential methods of replacement might include pumping of mine water to the surface, replacement water from other sources, purchase of other shares and/or water rights, payment of damages and other feasible alternatives.

d. Lessee shall indemnify Lessor as hereinafter provided in Section 14. **Indemnification**, with respect to all claims and demands related to or arising out of the impact of underground Coal mining operations on water resources and state-appropriated water.

### 12. Bond

Prior to the commencement of any activity in, on or under the Leased Premises, other than casual use, Lessee shall deliver to Lessor a performance bond in a form, and with a surety acceptable to Lessor, and for the use and benefit of the Lessor in the amount of Two Hundred Fifty Thousand Dollars ($250,000.00). The bond shall ensure payment of rentals and royalties and ensure compliance with all other terms and conditions of this Lease and applicable laws and regulations. Upon termination of this Lease, the bond may be terminated upon Lessee’s receipt of Lessor’s written permission, which permission shall be given upon Lessee’s demonstration to Lessor that Lessee is in full compliance with the terms and conditions of this Lease.

### 13. Energy Policy Act

Lessor specifically acknowledges that prior to the execution of this Lease, it has been made aware of the provisions of § 2504(a)(1) of the Energy Policy Act of 1992, Public Law 102-486, 106 stat. 2776 (enacted October 24, 1992) (codified at 30 U.S.C. § 1309a), and it also hereby acknowledges that full compliance with the terms and conditions of this Lease by Lessee and the payment of the consideration provided for herein is intended to fully compensate Lessor for any and all damages and liability of Lessee to Lessor under § 2504(a)(1) of the Energy Policy Act with respect to those portions of the Leased Premises as to which Lessor is the owner of the surface estate.

### 14. Indemnification

a. Lessee will hold harmless and fully indemnify Lessor against all claims or demands of any kind or nature made upon Lessor or against Lessor’s interest in the Leased Premises for, or on account of, any debt or expense contracted or incurred by Lessee in conducting its activities, as well as against any and all acts, transactions and omissions of Lessee, its employees, agents, contractors, subcontractors, lessees, partners or coventurers, licensees and suppliers in conducting such activities, and Lessee will defend and save Lessor harmless and fully indemnify Lessor as to liability or asserted liability, for, or on account of, injury to, or death
of, any person or damage to any property sustained during the term of this Lease, alleged to have resulted from and/or resulting from any such act or omission of Lessee, its employees, agents, contractors, subcontractors, lessees, partners, or coventurers, licensees and suppliers, or any unsafe condition of the Leased Premises created by Lessee or Lessee’s operations. In addition, Lessee will waive, hold harmless and fully indemnify Lessor against any and all penalties or charges imposed upon Lessor by federal, state, or local authorities on account of Lessee’s failure to comply with all laws, rules, regulations or orders of such authorities.

b. Further, Lessee agrees to hold Lessor harmless from all claims of environmental damages and demands arising directly out of Lessee’s operations on or affecting the Leased Premises asserted by third parties, including, but not limited to, claims by individuals or groups, whether public or private, by federal, state, or local agencies and/or by any other party bringing said action against Lessor, unless Lessor, or any person or instrumentality acting in Lessor’s behalf shall have been a contributing cause to the event giving rise to such claim or demand. Lessor agrees to cooperate with Lessee in the conduct of any suits arising from claims and demands under this subsection.

15. Surface Ownership

Lessor does not claim ownership of the surface estate with respect to the entirety of the Leased Premises. Lessee shall be responsible to determine the ownership of the surface and obtain any and all such additional lease(s) or lease rights as may be necessary to conduct Lessee’s operations on the Leased Premises. It is understood that this Lease is subject to surface patents, deeds, and purchase contracts and Lessee shall assume responsibility for, and indemnify and hold harmless Lessor against, all claims arising from damages to the surface caused by Lessee’s operations.

16. Mitigation of Impacts

Lessee shall mitigate any impacts to the surface caused by Lessee’s activities on the surface of the Leased Premises (i.e., prospecting, exploring, drilling, etc.) and Lessee’s underground Coal mining operations, including, but not limited to, mining induced subsidence. Mitigation measures and reclamation activities shall adhere to policies and practices that are no less stringent than those imposed by the U.S. Forest Service with respect to Forest lands in the General Mining Area.

17. Seismicity

Due to the proximity of Electric Lake and its associated dam, Lessor must maintain the ability to respond to the impacts of mining related seismicity on the water storage facilities. The parties both acknowledge that the continued existence of the water storage facilities must take priority over the coal mining operations provided for in this Lease. Lessee and Lessor shall cooperate in the exchange of information and in the assessment and evaluation of impacts to the water storage facilities in any way related to mining activities.

To provide information to the parties regarding possible impacts of mining on the water storage facilities, Lessee shall, at its sole cost and expense, institute a seismic monitoring...
18. Termination and/or Surrender

As part of the consideration for the issuance of this Lease, if, at any time during the term of this Lease, Lessor reasonably believes, based upon credible evidence produced by the Seismic Plan or otherwise, that the continued conduct of mining operations under the Lease currently impacts, or may reasonably result in an impact to, (i) the integrity of the dam or (ii) the ability of the water storage facilities to continue to store water at the present capacity, Lessor may, by written notice to Lessee and at Lessor's sole discretion, order the immediate cessation of mining activities. In such event, the parties and the Consultant shall hold a joint meeting within seven (7) days after the notice to cease mining to review the evidence relied upon by Lessor. At the meeting the Lessor shall determine whether mining operations can be revised to adequately protect the water storage facilities. Thereafter Lessor may at its election give Lessee written notice to terminate the Lease, provide, however, that prior to termination of the Lease, and while no operations are being conducted on the Lease, Lessee shall have the right, at its sole cost and expense, to engage other experts to review the evidence to determine what actions are appropriate to protect the water storage facilities. Lessee shall make its presentation of the findings and conclusions to Lessor within ninety (90) days from the date of the joint meeting. Within ten (10) days after Lessee's presentation, Lessor shall notify Lessee in writing of its decision to preserve the Lease subject to additional operating restrictions or to terminate all or a portion of the Lease. In the event of such cessation and/or termination, Lessee shall have no recourse against Lessor whether for monetary damages or otherwise.

Lessee shall also have the unrestricted right and option to terminate this Lease as to the entirety of the Leased Premises, or any portion or parcel thereof, at any time or times and for any purpose upon giving written notice of such release and termination to Lessor and recording such notice in the office of the Recorder of the County where the affected lands are situated. In the event of such release and termination by Lessee, this Lease shall cease forthwith as to all lands described in the notice of release and termination. All obligations of the Lessee that have accrued under this Lease as of the date of termination shall survive and be the continuing obligation of Lessee until otherwise satisfied.

At the termination of this Lease, either at the end of the term or prior thereto by termination, cancellation or surrender, Lessee shall have a reasonable time in which to remove all
of Lessee’s machinery, equipment and other property from any part of the Leased Premises. Prior to abandonment and/or the sealing off of a mined area, Lessee may, with Lessor’s prior written consent, which shall not be unreasonably withheld, elect to abandon machinery or equipment in place within the Leased Premises if such abandonment does not (i) violate any applicable federal or state statute, regulation or approved mining plan relating to the Leased Premises or (ii) result in any additional liability to Lessor. Any on-lease disposal of non-coal waste must comply with the laws and regulations governing such disposal.

19. Default

If Lessee fails to comply with the provisions of this Lease and if Lessee does not initiate and diligently pursue steps to correct the default within thirty (30) days after notice has been given to it by Lessor specifying with particularity the nature of the default, then upon the expiration of the thirty (30) day period, all rights, liabilities and obligations of Lessee under this Lease shall terminate. The service of such notice shall be a condition precedent to the bringing of any action by Lessor on this Lease for such default, and no such action shall be brought with respect to such default until the lapse of thirty (30) days after service of such notice. Any default claims with respect to the payment of money may be cured by the deposit in escrow of the amount in controversy (not including claimed consequential, special, exemplary, or punitive damages) and giving of notice of the deposit to Lessor, the amount to remain in escrow until the controversy is resolved by decision of a court or arbitrators or otherwise. If Lessee by notice to Lessor, disputes the existence of a default, then this Lease shall not terminate unless Lessee does not initiate and diligently pursue steps to correct the default within thirty (30) days after the existence of the default has been determined by decision of a court or arbitrators or otherwise. The doing of any acts by Lessee reasonably sufficient to cure all or any of the alleged breaches or defaults shall not be deemed an admission or presumption that Lessee has failed to perform any or all of its obligations hereunder.

20. Depository Bank, Change of Ownership

All payments under this Lease may be paid or tendered directly to Lessor or to Lessor’s credit as follows:

First National Bank of Chicago, Illinois
ABA No. 071000013
Acct. No. 5531896
Name: PacifiCorp

which bank, and its successors, are hereby made agents of Lessor to receive all payments herein provided for, and shall continue as the depository regardless of changes in the ownership of the Leased Premises or of the right to receive said payments. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail to accept a payment, Lessee shall not be held in default for failure to make or tender same until thirty (30) days after Lessor shall deliver to Lessee a proper instrument naming another bank or depository as agent to receive such payments or tenders.
All payments or tenders may be made by wire transfer or by delivering or mailing a check to the depository or to Lessor (at Lessor’s last known address as shown by Lessee’s records), as appropriate. Payments shall be deemed proper payment or tender as herein provided upon receipt by Lessor or the depository bank.

No change or division in ownership of the Leased Premises or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No such change or division in the ownership of the Leased Premises or royalties shall be deemed notice to or binding upon Lessee for any purpose, despite actual or constructive notice by Lessee, until forty-five (45) days after the person acquiring any interest shall furnish Lessee at Lessee’s address above, with the original instrument or instruments, or certified or true copies thereof, evidencing such change, transfer or division of ownership; provided that Lessee may at its election, recognize any such change or division prior to the expiration of said forty-five (45) day period of time and make payment to the new owners.

21. Lesser Interest

If Lessor owns less interest in the Coal in the Leased Premises than the entire and undivided fee simple estate therein, then whether or not such interest is referred to or described herein, production royalties, rentals and other payments herein provided for shall be paid to Lessor only in the proportion which Lessor’s interest bears to the whole and undivided fee simple estate in the Coal in the Leased Premises.

22. Damages

In addition to the obligation to conduct reclamation activities as specified in Section 16. Mitigation of Impacts, and not in lieu thereof, Lessee agrees to pay to Lessor for each exploratory test hole location on the portion of the Leased Premises as to which Lessor is the owner of the surface estate as full compensation and satisfaction for any damage to crops, grazing pastures, grass or other of Lessor’s surface uses that may be affected thereby, the sum of One Thousand Dollars ($1,000.00).

23. Compliance with Law

Lessee agrees that it will conduct all operations hereunder in a good and workmanlike manner and in full compliance with all applicable local, state and federal laws, rules, regulations and orders, including, but not limited to, those pertaining to mine safety, zoning, environmental protection and land reclamation. Lease stipulations imposed upon Lessee pursuant to Federal coal leases within the General Mining Area shall be deemed applicable to the Leased Premises.

24. Hazardous, Toxic or Harmful Substances

a. The Lessee shall not keep on or about the Leased Premises, any substances now or hereafter designated as, or containing components now or hereafter designated as, hazardous, toxic, dangerous or harmful (and/or which are subject to regulation as hazardous, toxic, dangerous or harmful) by any federal, state or local law, regulation, statute or ordinance (hereinafter collectively referred to as "Hazardous Substances") unless such are necessary to
carry out the Lessee’s permitted uses of the Leased Premises and unless the Lessee fully complies with all federal, state and local laws, regulations, statutes and ordinances now in existence or as subsequently enacted or amended.

b. Lessee shall notify Lessor promptly (which shall in no event exceed twenty-four (24) hours after Lessee becomes aware) of:

i. all spills or releases of any Hazardous Substance in, on or adjacent to the Leased Premises reportable to any state or federal agency as required by applicable law;

ii. all material failures to comply with any federal, state or local law, regulation or ordinance as now enacted or as subsequently enacted or amended;

iii. all inspections of the Leased Premises by or any correspondence, orders, citations or notifications from any regulatory entity concerning Hazardous Substances affecting the Leased Premises, excluding notices, reports or permits issued by a regulatory entity in the normal course of business and not otherwise relating to an enforcement action;

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 and all correspondence, pleadings and/or reports received by or required of the Lessee or issued or written by the Lessee on the Lessee’s behalf with respect to the use, presence, transportation or generation of Hazardous Substances in, on, about or adjacent to the Leased Premises.

c. The Lessee shall be fully and completely liable to the Lessor and shall indemnify, defend and save harmless the Lessor, Interwest Mining Company, and the respective shareholders, affiliates, directors, officers and employees and agents of each with respect to any and all claims, damages, costs, fees (including attorneys’ fees and costs), penalties (civil and criminal) and cleanup costs assessed against or imposed as a result of Lessee’s use, disposal, transportation, generation and/or sale of Hazardous Substances or that of Lessee’s employees, agents, assigns, sublessees, contractors, subcontractors, licensees or invitees and for any breach of this Section 24.

25. Liability Insurance

Without limiting any liabilities or any other obligations of the Lessee on and after the date of this Lease, Lessee shall have and maintain Public Liability and Property Damage Insurance with companies which are rated by Best Insurance Rating at A or above and with at least the following liability limits:

a. Commercial General Liability (occurrence form), covering bodily injury and property damage liability, including contractual, XCU, products and completed operations with minimum limits of $5,000,000 per occurrence, $5,000,000 Aggregate Products - Completed Operations and $5,000,000 General Aggregate.
b. Comprehensive Automobile Liability covering owned, hired and non-owned vehicles with minimum limits of $1,000,000 per person and $2,000,000 per accident for bodily injury and $500,000 property damage or combined single limit of at least $2,000,000;

c. Workers' Compensation or Industrial Accident insurance as required by law, including Employer's or Stop-gap Liability with a minimum limit of $500,000 per accident.

All such insurance policies shall be the primary insurance for Lessee and shall name Lessor and Interwest Mining Company and each of their affiliates, directors, officers, employees, and agents as additional insureds. Upon execution of this Lease, Lessee shall provide certificates evidencing the insurance described above and bearing endorsements requiring ten (10) days written notice to Lessor and Interwest Mining Company before change or cancellation.

Lessee acknowledges that it has the authority and hereby waives subrogation rights of its property insurance company for insured losses for which Lessee is liable under the terms of this Lease.

26. Taxes and Encumbrances

The Lessee shall pay all validly assessed and levied property taxes on its improvements and property and shall pay all of the taxes, if any, validly assessed and levied against its right in the Coal covered by this Lease and its rights, if any, in the surface over the Leased Premises. Lessor shall pay all validly assessed and levied taxes on its interests in the Leased Premises including, but not limited to, those interests subject to central assessment by the State of Utah. In the event a federal, state, county or municipal or other governmental agency levies a license, severance, sales, use, production or other tax on the Coal hereunder, or on Lessee's rights to operate or produce or sell such Coal, then and in that event the Lessee shall pay that portion of such tax attributable to its rights in the Coal. Lessee is hereby authorized to pay any mortgages, liens, taxes and assessments on behalf of the Lessor and be subrogated to the rights of the holders of such encumbrances and may, if it so desires, deduct any amounts so paid from royalties or other payments due Lessor hereunder.

27. Breach of Obligations

Lessee shall be under no obligation, express or implied, to explore, develop, mine or rework the Leased Premises, for Coal or any other mineral or substance which may be covered hereby, it being expressly agreed that the good faith judgment of the Lessee in carrying out the purpose of this Lease shall be conclusive.

In addition to Lessor's rights to terminate this Lease as set forth in Section 18. Termination and/or Surrender, in the event Lessor considers that Lessee has not complied with any express condition, obligation or covenant hereunder, Lessor shall notify Lessee of such default in accordance with Section 19. Default.
28. Force Majeure

When exploration, testing or mining or other operations hereunder are delayed or interrupted by lack of water, labor or material or by fire, storm, flood, war, rebellion, insurrection, riot, labor disputes or failure of carriers to transport or furnish facilities for transportation, or as a result of some order, requisition or necessity of any governmental authority or due to some zoning, environmental protection or land reclamation requirement, or as a result of any cause whatsoever beyond the control and not a result of any negligence of the Lessee, the time and result of such delay or interruption shall not be counted against Lessee or cause a termination of this Lease; provided, however, the obligation to make rental and royalty payments shall not be suspended but instead shall be due and owing during such period and shall be paid as provided for above. Lessee shall provide Lessor with written notice within ten (10) days after both the occurrence and the cessation of any condition constituting such above described force majeure hereunder.

29. Assignment

The estate of either party to this Lease may be assigned or transferred only in whole and not in part and only with the prior written consent of the other party which consent shall not be unreasonably withheld. No subleasing by Lessee is authorized.

30. Title

Lessor makes no representations or warranties as to title to the Coal or the Leased Premises. Lessee may purchase or lease the rights of any party claiming any interest in said land and execute such rights as may be obtained thereby, and Lessee shall not suffer any forfeiture nor incur any liability to Lessor by reason thereof. Should Lessee wish to investigate Lessor’s title following execution of this Lease, Lessor agrees to cooperate with Lessee as to title matters by making available to Lessee all abstracts, title insurance policies and other title documents in Lessor’s possession.

31. Modification

No amendment or modification to this Lease shall be effective unless and until same is embodied in writing and signed by all parties hereto.

32. Recording

The parties agree that they will execute a Memorandum of Underground Coal Lease in a form substantially similar to that attached as Exhibit A and that the executed Memorandum will be placed of record in the county containing the Leased Premises. This Lease will not be placed of record.

33. Notices

Any notice required or permitted herein shall be sufficient if given in writing or delivered by hand or deposited in the United States mail, certified, postage prepaid and addressed to the

SLC1-32577.7 99999-0001
appropriate addresses set forth in Section 1. Parties of this Lease, or to such other addresses as any party hereto may, from time to time, designate in writing.

34. Inspection

Lessor or its duly authorized agents and representatives shall have the right at all reasonable times and at its own risk to enter into and upon the Leased Premises and workings thereon for the purpose of examining and inspecting the same, and ascertaining whether the terms and conditions of this Lease are being carried out and performed by Lessee. Lessor or its duly authorized representative shall at all reasonable times have access to the production records, and other records as set forth in Section 10. Records and Accounts above.

35. Interference with Operations

It is recognized by the parties hereto that this Lease does not cover oil and gas rights, except Coal Seam Gas, and other mineral rights not covered by this Lease underlying the Leased Premises and that Lessor retains the right to grant leases or other conveyances as to such rights. However, Lessor agrees that any leases, grants or conveyances made by it subsequent hereto affecting or pertaining to oil and gas or other minerals not covered by this Lease shall contain appropriate provisions to insure that all operations of Lessee under this Lease may be carried on without undue interference by any such parties or by Lessor. The rights of such subsequent lessees, their assignees and Lessor thereunder shall be junior and subordinate to those of Lessee hereunder in the event of any actual irreconcilable conflict or interference with Lessee's operations.

36. Applicable Law

This Lease and all of its terms and provisions shall be governed by and interpreted according to the laws of the State of Utah, including its equitable doctrines, without regard to its choice of law doctrines.

37. Headings, Word Usage

The numbered section headings herein are provided for the use and convenience of the parties and shall not be deemed part of this Lease, nor as having any bearing upon the interpretation given to any provision of this Lease.

38. Nonwaiver

The failure of Lessor to insist upon or enforce strict performance by Lessee of any of the terms of this lease or to exercise any rights herein shall not be construed as a waiver or relinquishment to any extent of Lessor's right to assert or rely upon such terms or rights on any future occasion.
39. Binding Effect

This Lease and all of its terms and conditions shall be deemed covenants running with the Leased Premises and shall be binding upon all who execute it, whether or not named in the body thereof, and without regard to whether this same instrument, or any copy or counterpart hereof, is executed by any of the other persons or parties named above, and shall be binding upon their heirs, devisees, administrators, executors, successors in interest and assigns, as appropriate.

40. Time of the Essence

Time is of the essence of this Lease and each and every term and provision hereof.

IN WITNESS WHEREOF, the parties have executed this Lease effective as of the day and year first above written.

LESSOR:

PACIFICORP

By: [Signature]
Title: VICE PRESIDENT

LESSEE:

CANYON FUEL COMPANY, LLC

By: [Signature]
Title: PRESIDENT & CEO
STATE OF UTAH

COUNTY OF SALT LAKE

On the 4th day of MARCH, 1999, personally appeared before me __________

DAN R. BAKER, the VICE PRESIDENT

of PacifiCorp, who signed the foregoing instrument on behalf of PacifiCorp and acknowledged to me that he executed the same.

My commission expires:
6-8-2000

STATE OF UTAH

COUNTY OF SALT LAKE

On the ______ day of __________, 1999, personally appeared before me __________

P. ROBERT DVORAK, the PRESIDENT and CEO

of Canyon Fuel Company, LLC, who signed the foregoing instrument on behalf of Canyon Fuel Company, LLC and acknowledged to me that he executed the same.

My commission expires:
6-8-2000

STATE OF UTAH

COUNTY OF SALT LAKE

On the ______ day of __________, 1999, personally appeared before me __________

P. ROBERT DVORAK, the PRESIDENT and CEO

of Canyon Fuel Company, LLC, who signed the foregoing instrument on behalf of Canyon Fuel Company, LLC and acknowledged to me that he executed the same.

My commission expires:
6-8-2000

STATE OF UTAH

COUNTY OF SALT LAKE

On the ______ day of __________, 1999, personally appeared before me __________

P. ROBERT DVORAK, the PRESIDENT and CEO

of Canyon Fuel Company, LLC, who signed the foregoing instrument on behalf of Canyon Fuel Company, LLC and acknowledged to me that he executed the same.

My commission expires:
6-8-2000

STATE OF UTAH

COUNTY OF SALT LAKE

On the ______ day of __________, 1999, personally appeared before me __________

P. ROBERT DVORAK, the PRESIDENT and CEO

of Canyon Fuel Company, LLC, who signed the foregoing instrument on behalf of Canyon Fuel Company, LLC and acknowledged to me that he executed the same.

My commission expires:
6-8-2000
March 22, 1999

Jan L. Wooton
Senior Property Records Analyst
ARK LAND COMPANY
CityPlace One, Suite 300
St. Louis, MO 63141

RE: Recorded Copy of PacifiCorp Underground Coal Lease - Canyon Fuel Company Skyline Mine (SK-041)

Dear Ms. Wooton:

Per your instructions in your letter dated March 11, 1999, enclosed for your information and records is a copy the Memorandum of Underground Coal Lease between PacifiCorp and Canyon Fuel Company, LLC as recorded in the Emery County Recorder's office dated March 16, 1999, Entry 351936, Book 0252, Page 461-463.

Should you have any, please feel free to contact me at 801-220-4612.

Sincerely,

Scott M. Child
Property Management Administrator

Enclosure

SMC/ELECTRICLAKE/CANYONFUEL9904.wpd

cc: IMC (w/copy encl.) - D.W. Jense, C. Pollastro
Ark Land Co. (w/copy encl.) - S. McCurdy, D. Downing
Stoel Rives - J. Kirkham, Esq. (w/copy encl.)
PacifiCorp Property Management NTO 110 - B. Arnold (w/copy encl.)
Canyon Fuel Company, LLC - D. Pick (w/copy encl.)
Dorsey & Whitney LLP - B. Prince, Esq. (w/copy encl.)
MEMORANDUM OF UNDERGROUND COAL LEASE

THIS MEMORANDUM OF UNDERGROUND COAL LEASE made and entered into effective as of February 1, 1999, is by and between PACIFICORP, an Oregon corporation (successor-in-interest to UTAH POWER & LIGHT COMPANY), having an address of c/o Interwest Mining Company, Property Administration, One Utah Center, Suite 2300, 201 South Main, Salt Lake City, Utah 84140 (hereinafter referred to as "Lessor"), and CANYON FUEL COMPANY, LLC, having an address of 6955 South Union Park Center, Suite 550, Midvale, Utah 84047 (hereinafter referred to as "Lessee").

WITNESSETH:

The parties hereto agree:

1. Upon the terms and conditions set forth in that certain Underground Coal Lease (hereinafter "Lease"), effective of even date herewith, all of which are hereby incorporated herein as if set forth in full, Lessor does hereby grant and lease unto Lessee for the purposes described in Section 2 of this Memorandum of Underground Coal Lease and in the Lease those certain lands situated in Emery County, State of Utah, more particularly described as follows, to-wit:

   Township 14 South, Range 6 East, SLB&M

   Section 2: Lots 1, 2, 3 and 4; S½N½; S½ (All)
   Section 3: Lots 1 & 2; S½NE¼; E½SE¼; E½W½SE¼; NW¼NW¼SE¼

   (Containing 925.16 acres, more or less.)

2. The Leased Premises are hereby leased unto Lessee subject to the terms and conditions of this Lease for the purpose of prospecting, exploring, developing, testing, mining and operating for and producing by underground mining methods, whether now or hereafter existing or known, all Coal lying and situated in, on or under the Leased Premises, with
the right to store, save, remove, transport, own and market, treat, process or otherwise utilize said
Coal, together with all of the mining rights and privileges appurtenant to the said Coal and
incident to the ownership thereof.

3. The term of the Lease is for a period of ten (10) years which commenced
on February 1, 1999. However, as more fully set forth in the Lease, the Lessor reserves the right,
in its sole discretion and without recourse, to order the cessation of mining operations and/or
termination of the Lease.

4. Nothing in this Memorandum of Underground Coal Lease is intended, nor
shall it be construed to, amend, modify or waive any provision of the Lease.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of
Underground Coal Lease and the Underground Coal Lease to be signed by their proper officers
thereunto duly authorized effective as of the day and year first above written.

PACIFICORP

By: 

Its: VICE PRESIDENT

CANYON FUEL COMPANY, LLC

By: 

Its: PRESIDENT & CEO
STATE OF UTAH

COUNTY OF SALT LAKE

On the 4th day of MARCH, 1999, personally appeared before me DAN R. BAKER, the VICE PRESIDENT of PacifiCorp, who signed the foregoing instrument on behalf of PacifiCorp and acknowledged to me that he executed the same.

NOTARY PUBLIC
SCOTT M. CHILDS
201 So. Main St., Ste. 2000
Salt Lake City, Utah 84140
My Commission Expires June 6, 2000

STATE OF UTAH

My Commission expires:

6-8-2000

STATE OF UTAH

COUNTY OF SALT LAKE

On the 24th day of FEBRUARY, 1999, personally appeared before me RICHARD D. DICK, the PRESIDENT and CEO of Canyon Fuel Company, LLC, who signed the foregoing instrument on behalf of Canyon Fuel Company, LLC and acknowledged to me that he executed the same.

Notary Public
Residing at: Salt Lake City, UT

My Commission expires:
In Reply Refer To:
3480
(UT-923)
UTU-044076

CERTIFIED MAIL -- Return Receipt Requested

Dan Meadors
Skyline Mine Manager
Canyon Fuel Company, LLC
HC 35 Box 380
Helper, Utah 84526

Re: Approval of the Minor Modification to develop longwall Panels 12 Left “A” and 12 Left “B” in Skyline Mine #3 Level 2 and approval of extraction of coal in these panels including under the old “Lawrence Reservoir site”.

Dear Mr. Meadors:

Background: On April 8, 2002, BLM approved the Minor Modification to develop longwall panels 12 Left “A” and 12 Left “B” except for the mining under the old “Lawrence Reservoir site”. Skyline mine is now seeking approval to longwall mine under the 2.5 acres that has not been approved to longwall mine mainly under Burnout Creek in the 12 Left “B” Panel. BLM has completed a NEPA adequacy determination for the mining under the old “Lawrence Reservoir site” (See map enclosed).

Approval: BLM approves the longwall recovery in the 12 Left “B” Panel in the old “Lawrence Reservoir site” as per the enclosed map (See Enclosure 1).
NEPA: The impacts of this approval have been adequately addressed in previously NEPA documents (reference Determination of NEPA Adequacy 923-2002-01, See Enclosure 2p).

Conditions of Approval.

1. BLM will require that a 22-degree angle of draw plus 25 feet be maintained from the edge of the longwall panel to the high water level of Electric Lake. No full extraction is authorized in this area.

2. Canyon Fuel Company will notify the BLM 24 hours prior to longwall mining in the area of the angle of draw under Burnout Creek in the 12 Left “B” Panel. Once extraction has commenced under the Burnout Creek area, mining will continue without cessation until the entire area has been traversed unless safety or unforeseen equipment problems arise.

3. BLM will require immediate notification of any mine induced seismic events that are larger than magnitude 3.0 as measured on the Richter scale.

4. Canyon Fuel Company will monitor the surface of the Burnout Creek area and immediately notify the BLM of any observed surface impacts.

5. Canyon Fuel Company will lower the shields in the head gate to 9.5 feet 1/3rd of the length of the longwall and grade out to the center of the panel to full longwall height in order to reduce the subsidence in the area next to the virgin coal abutment pillar under the stream.

If you have any questions, please call Stan Perkes at 539-4036.

Sincerely,

James F. Kohler
Chief, Solids Minerals Branch

Enclosure (2)
1. Map
2. Determination of NEPA Adequacy

cc: PFO
Mary Ann Wright, Utah Division of Oil, Gas and Mining, P.O. Box 145801, Salt Lake City, Utah, 84114-5801

bcc: Files - UTU-044076
Reading File
INCORPORATED
MAY 02 2003
DIV OF OIL GAS & MINING

MINING PLAN APPROVED BY
BUREAU OF LAND MANAGEMENT

Recommended By:

Mining Engineer 3/17/03

Approved By:

Manager 3/17/03
Worksheet

Documentation of Land Use Plan Conformance and NEPA Adequacy (DNA)

U.S. Department of the Interior
Bureau of Land Management (BLM)

Note: This worksheet is to be completed consistent with the policies stated in the Instruction Memorandum entitled "Documentation of Land Use Plan Conformance and National Environmental Policy Act (NEPA) Adequacy" transmitting this worksheet and the "Guidelines for Using the DNA Worksheet" located at the end of the worksheet. (Note: The signed CONCLUSION at the end of this worksheet is part of an interim step in the BLM's internal analysis process and does not constitute an appealable decision.)

A. BLM Office: USO, Solids Minerals Group
B. Lease/Serial/Case File No. Federal Coal Lease UTU-044076

Proposed Action Title/Type: Minor Modification to an approved Resource Recovery and Protection Plan to fully extract coal underneath a 2.5 acre portion of Burnout Creek.

Location of Proposed Action: Huntington Canyon, Emery County Utah

Description of the Proposed Action: Canyon Fuel LLC, and Skyline Mines have submitted a minor modification to the Resource and Recovery and Protection Plan that includes a proposal to fully extract coal in one seam underneath a 2.5 acre portion of the old proposed Lawrence Reservoir site that includes a stretch of Burnout Creek. The edge of the panel under Burnout Creek begins at approximately 425 feet from the high water mark of Electric Lake. Burnout Creek has already been undermined for approximately 6900 feet part of which has included two seams. This proposal would undermine an additional 645 feet of Burnout Creek. The proposal would increase coal recovery by approximately 830,000 tons of federal coal.

The old Lawrence Reservoir site comprises 121.5 acres that was included as part of Federal Coal Lease UTU-044076 on April 19, 2001. These lands were not included in the original lease because they were part of a reservoir right-of-way application submitted by the Huntington Cleveland Irrigation Company in 1939. This application was relinquished in 1961 before the preference right lease was issued in 1965. However, the preference right lease did not include the old reservoir site because those lands were excluded from the original prospecting permit. Skyline Mine engineers have determined that due to a change of the location of faults encountered in the mine an additional panel could be extracted. In order to recover the reserves in this panel, it will be necessary to undermine about 2.5 acres of the 2001 lease modification that included Burnout Creek. Such a change is normally considered as a minor modification to an existing mining plan and that would be categorically excluded under BLM’s NEPA policy (BLM Categorical Exclusions, 516 DM Chapter 6, Appendix 5.4 F.(8)). However, when the Forest Service gave their consent to modify the lease to include the former reservoir site, they categorically excluded this 121.5 acres from NEPA because they did not anticipate full extraction
mining under the lease modification. In the Decision Memo (March 2001) the Forest Service supervisor stated, “I have decided to consent to the modification of Federal Coal Lease U-044076 by the BLM. This decision does not approve mining that would cause subsidence or surface disturbance. The modification area would be subject to the lease terms, conditions, and stipulations contained in lease U-044076”. The decision further provides that, “the application as submitted, and/or Federal Coal Lease U-044076 would provide adequate protection for the Forest Resources”. Because the Forest Service did not analyze the effects of full extraction mining, this DNA is being prepared to determine whether any impacts that mining may cause due to the full extraction of the coal resource in this small area have been adequately analyzed in the existing NEPA documents.

There are no changes in the proposed action that are relevant to environmental concerns that have not been addressed previously. There are no significant new circumstances or information relevant to environmental concerns from the impacts of the proposed action.

Applicant (if any): Canyon Fuel Company, Skyline Mine

B. Conformance with the Land Use Plan (LUP) and Consistency with Related Subordinate Implementation Plans
LUP Name Land and Resource Management Plan, Manti-La Sal National Forest, (1986) (Forest Plan). The project area lies within an RPN (Riparian Management Unit) and is potential spawning habitat for Yellowstone Cutthroat Trout.

Date Approved November 1986
Other document FS Categorical Exclusion Lawrence Reservoir site Date Approved March 2001

*List applicable LUPs (e.g., Resource Management Plans or applicable amendments).
Forest Plan, Page III-72 “Avoid and mitigate detrimental disturbance to riparian area by mineral activities. Initiate timely and effective rehabilitation of disturbed sites.”

Forest Plan Forest wide Management Direction for Riparian, Flood Plain & Wetlands Management
Page III-31,02 “Give preferential consideration to riparian area dependent resources in cases of irresolvable resource conflicts”
Page III-22, 08 “Manage waters capable of supporting self-sustaining fish populations to provide for those populations”.
Page III-36,01,d,(5) “Coal leases may be denied or limited by special stipulations where operations would result in unacceptable or immitigable impact on wildlife or fisheries” and “Proposed management activities which may cause unfavorable conditions in existing fisheries will include mitigation measures.”

**List applicable activity, project, management, water quality restoration, or program plans.
□ The proposed action is in conformance with the applicable LUPs because it is specifically provided for in the following LUP decisions:

Attachment 1-2
Minerals - Mineral activities are allowed, but they must avoid and mitigate detrimental disturbance to the riparian area.

C. Identify the applicable NEPA document(s) and other related documents that cover the proposed action.

List by name and date all applicable NEPA documents that cover the proposed action.


Decision Memo, Manti La Sal National Forest, Lawrence Reservoir Site, Categorically Exclusion, March 2001

Decision Notice, Manti La Sal National Forest, 1995 (Lease Readjustment)

Decision Notice, Manti La Sal National Forest, 1993, Finding of No Significant Impact (FONSI) or Burnout Creek subsidence and Upper Huntington Canyon Enhancement. (The main issue was what kind of impacts would there be on a perennial stream such as Burnout Creek if the coal was fully extracted and it was subsided. Technical reports and studies were accomplished to document the impact.)


Stream response to subsidence from underground coal mining in central Utah, Environmental Geology, 39 (3-4), 279-291, 2000, Sidle, R.C., I. Kamil, A. Sharma, and S. Yamashita,


Cumulative Hydrologic Impact Assessment, UDOGM, February 1995 (currently in the process of being updated.) to the proposed action (e.g., source drinking water assessments, biological assessment, biological opinion, watershed assessment, allotment evaluation, rangeland health standard's assessment and determinations, and monitoring the report).


Attachment 1-3
Technical Analysis, UDOGM, November 21, 2002

Readjusted Federal Coal Lease U-044076, 1995

Decision Memo, Manti-La Sal National Forest, January 1995, Readjustment of Federal Coal lease U-044076

D. NEPA Adequacy Criteria

1. Is the current proposed action substantially the same action (or is a part of that action) as previously analyzed?

Documentation of answer and explanation: YES

The proposed action of mining under the Burnout Creek has been analyzed in several studies and is the basis for the analysis for the Flat Canyon Final Environmental Impact Statement (FEIS). The Flat Canyon FEIS project area is less than 1 mile from the project area and is 3792 acres, but the Flat Canyon FEIS analyzed impacts of full extraction of coal on a much larger area which included the west side of Upper Huntington Canyon, approximately 1/4 of a mile away from the site. In fact the development corridor that was analyzed in the Flat Canyon FEIS included the lower portion of Burnout Creek. The mining proposal of full extraction in the old Lawrence Reservoir site is limited to 2.5 acres, with 645 feet of perennial stream that will also be subsided. This area has similar geology, hydrology, vegetation, wildlife and mining conditions to the Flat Canyon FEIS area. The stream gradient is steeper in the Burnout Creek area as stated in the Flat Canyon FEIS.

The Skyline mine has been operating in this area for more than 25 years, mining coal with full extraction methods causing the land surface to subside. The subsidence of the land surface is approximately 70% of the coal height that is mined. Therefore, if 10 feet of coal is mined underground there would be approximately 7 feet of maximum subsidence (the land surface would move down 7 feet). The analysis of undermining the Burnout creek has been documented by numerous studies. This proposed mining area of approximately 2.5 acres in the old proposed Lawrence Reservoir site and an additional approximate 645 feet of stream that will be undermined that has not been previously specifically analyzed in the CX for the lease modification but was analyzed in the 1993 EA for the stream. This is part of the proposed action and subsequent study analyzed in the 1993 EA.

2. Is the range of alternatives analyzed in the existing NEPA document(s) appropriate with respect to the current proposed action, given current environmental concerns, interests, resource values, and circumstances?

Documentation of answer and explanation: YES
The ranges of alternatives that have been analyzed in the NEPA document for the Flat Canyon FEIS include: 1) No Action or No mining; 2) leasing with no special stipulations; 3) Not restrict mining that would cause subsidence (4) Not allow subsidence of perennial drainages. (Flat Canyon EIS, USFS and BLM, 2002).

The resource values that were addressed were, terrestrial and aquatic species habitats (FC FEIS, p.5-52), stream channel morphology, and vegetation (FC FEIS p. 4-47) intercepting the flow in the stream and diverting it underground - changing the hydrology (FC FEIS p. 4-33), subsidence that could change the flow of springs and seeps, affecting the receiving streams (FC FEIS, p4-38)

The action that is being approved in the minor modification of the mining plan for the Skyline Mine is to extract coal that would cause undermining the old Lawrence Reservoir site in an area, which entails about 2.5 acres, and subside the Burnout Perennial stream for about 645 feet in length. The action of not restricting mining that would cause subsidence would be the same alternative that would be similar to this effort, but not with multiple seams.

3. Is the existing analysis adequate and are the conclusions adequate in light of any new information or circumstances (including, for example, riparian proper functioning condition [PFC] reports; rangeland health standards assessments; Unified Watershed Assessment categorizations; inventory and monitoring data; most recent Fish and Wildlife Service lists of threatened, endangered, proposed, and candidate species; most recent BLM lists of sensitive species)? Can you reasonably conclude that all new information and all new circumstances are insignificant with regard to analysis of the proposed action?

Documentation of answer and explanation: YES

The publication of the Flat Canyon EIS is so current, (January 2002) that it provides the latest information on the subject and surrounding areas. There is no new analysis or information that is available for the undermining of this area.

There has been an issue arise since the NEPA documents were written. This issue is the fact that there are claims that the mine is draining electric lake that lies next to the proposed mining area. In the Probable Hydrologic Conquences dated November 2002, Petersen (October 2002) states:

"... groundwater flow through the Star Point Sandstone occurs primarily through fracture openings and groundwater flow through the matrix of the sandstone occurs only at a very slow rate. Based on these findings, it is apparent that large volumes of leaking Electric Lake water cannot be the source of the large fault-related inflows in the Skyline Mine. If Electric Lake water was flowing through fractures directly to the 10 Left area, it would be anticipated that the "pulse" of lake water would arrive at the mine in a short period of time."

Experience has shown that fracture flow in fault happens very quickly from the source of water to the discharge point. In a fault related study on Little Bear Spring in Huntington Canyon the major source of water was approximately 1.7 miles away and it took approximately 42 days for eocene dye to show up at the spring when it was placed in the fault area at that location. The water in the spring has a very similar chemistry to
the water that was found at the source. Even though this is not conclusive this does indicate a mechanism whereby the rates that water can flow through a fault system.

The current mining at Skyline mine is approximately 1.5 miles away from Electric Lake. Five water samples taken from 7/2/2002 through 8/26/2002 at 10-Left averaged 1.20 TU. Seven samples were taken from 5/24/2002 to 8/1/2002 at JC-1 (well near the mine workings) and they averaged 1.09 TU. The Tritium units for Electric Lake average about 9 TU to 12 TU. (Technical Analysis, UDOGM, November 21, 2002). This seems to lend itself to the fact that water may not be traveling through fault related structures into the mine from Electric lake. There may be another source of water.

To further analyze this situation the mining company, Skyline Mine contracted with Hydrologic Consultant, Inc of Lakewood, Colorado to look at this situation

Page v states, "... More significantly, however, is the potential existence of a series of stacked sandstones up to 700 ft thick based on a recently obtained geophysical log of a nearby gas exploration drillhole. The presence of these deep sandstones could potentially explain the relatively large, sustained ground-water inflows to the Skyline mine along faults.". On page vi, it continues, "Final laboratory results of water chemistry analyses do not change previously report chemical interpretations. On the basis of major ions, carbon-based age, and tritium content, the underground inflows and discharge from the James Canyon wells do not have any significant component of water form Electric Lake or from any other surface source." (Note: the James Canyon Wells intercept some of the water going into the mine.)

The report also suggest the water level data from the Flat Canyon Coal Tract (which is adjacent to the lease) suggest a high interconnection among faults and that the tract will require similar dewatering requirements.

There were two other studies done that were commissioned by PacifiCorp who owns the dam. The first study was an electrical conductivity survey (July 2002) that found that the area contained "considerable water" between the mine and the lake but could not determine actual water flows. The second study was an Aqua Track study in August 2002. This uses an electrical current that defines possible preferred flow paths. The draft results of this analysis indicated that there are preferred paths from the lake to the 10th left area in the mine. The path that is shown is along a fault system that was mined through to get to this coal. The fault system is to the east and runs parallel to panels being mined. It does not intercept the area that will be mined. This study only shows possible paths it is unable to show flow direction, water quantity or quality. Without this other information the study in itself is inconclusive.

There has been a fault encountered in the gateroad development in the 11th left panel that will intercept the 12th Left A panel. This fault has minor displacement and there is no water that has been encountered by the fault. Because of these facts, and conclusions, BLM considers these issues as irrelevant to this proposed action.

4. Do the methodology and analytical approach used in the existing NEPA document(s) continue to be appropriate for the current proposed action?
Documentation of answer and explanation: YES

The methodology and analytical approach used in the Flat Canyon FEIS and the other studies are the current scientific methodologies that are available for predicting impacts due to subsidence. These are coupled with the fact that mining has been going on in the direct vicinity for more than 25 years. This becomes a check to the analysis that is finalized in the FC FEIS and the other technical studies. The Skyline Mine has undermined the Burnout Creek since 1992 and the results have been documented in several technical studies. There is no current technical analysis that could be made that would be superior or negate the findings of the FC FEIS or the technical studies. Both Government and private industry have reviewed the analysis techniques and all involved have accepted them. The bottom line is that the surface impacts from the action are not different than what was analyzed in the Flat Canyon Coal Tract NEPA document.

5. Are the direct and indirect impacts of the current proposed action substantially unchanged from those identified in the existing NEPA document(s)? Does the existing NEPA document sufficiently analyze site-specific impacts related to the current proposed action?

Documentation of answer and explanation: YES

The undermining of the Burnout Creek has been analyzed and a short abstract follows. There were no negative impacts to the stream during undermining. Sidle, R.C., I. Kamil, A. Sharma, and S. Yamashita, Stream response to subsidence from underground coal mining in central Utah. Environmental Geology, 39 (3-4), 279-291, 2000.

(Received: 10 April 1998 · Accepted: 21 September 1998)

Stream response to subsidence from underground coal mining in central Utah

R. C. Sidle, I. Kamil, A. Sharma, S. Yamashita
Departments of Forest Resources Management and Geography, 2424 Main Mall, University of British Columbia, Vancouver, BC, Canada V6T 1Z4 e-mail: sidle@interchange.ubc.ca
(2) Department of Environmental Engineering, Institute of Technology Bandung, JL. Ganesa 10, Bandung, Indonesia
(3) University of New South Wales, School of Civil Engineering, Sydney, N.S.W., Australia
(4) Toyota National College of Technology, 2-1, Eisei-cho, Toyota, Aichi 471, Japan

Abstract Short-term geomorphic and hydrologic effects of subsidence induced by longwall mining under Burnout Creek, Utah were evaluated. During the year after longwall mining, 0.3-1.5 m of subsidence was measured near impacted reaches of the mountain stream channel. The major channel changes that occurred in a 700-m reach of Burnout Creek that was subsided from 1992 to 1993 were: (1) increase in lengths of cascades and to a lesser extent glides; (2) increases in pool length, numbers and volumes; (3) increase in median particle diameter of bed sediment in pools; and (4) some constriction in channel geometry. Most of the changes appeared short-lived, with channel recovery approaching pre-mining conditions by 1994. In a 300-m reach of the South Fork that was subsided from 1993 to 1994, only channel constriction was observed, although any impacts on pool morphology may have been confounded by heavy grazing in the riparian reaches during the dry summer of 1994. Similar near-channel sedimentation and loss of pool volume between 1993 and 1994 were noted throughout Burnout Creek and in adjacent, unmined James Creek. Subsidence during the 3-year period had no effect on baseflows or near-channel landslides.
The Forest Service FONSI in 1993 that looked at Burnout Creek in T13. R. 6 E., portions of Sections 26, 34 and 35 addressed specifically the following:

1) No impacts, adverse or beneficial that were determined to be significant
2) No effect on public health or safety
3) No known effects to any unique characteristics of the area and on roadless areas.
4) There are no impacts to cultural resources
5) There are no known T&E species or habitats that have been determined to be critical under the Endangered Species Act of 1973.

6. Can you conclude without additional analysis or information that the cumulative impacts that would result from implementation of the current proposed action are substantially unchanged from those analyzed in the existing NEPA document(s)?

Documentation of answer and explanation: YES

Cumulative impacts have been addressed by the Flat Canyon FEIS which is less than 1/4 mile away from this small area.

In the Burnout study (Sidell, et. al 2000), surface changes due to subsidence were expressed mainly as increases in the extent of pools. Many of the channel attributes studied produced inconclusive results, but subsidence effects generally did not cause major detrimental impacts. Subsidence-induced changes in channel gradient at Burnout Canyon, even in the areas of maximum differential subsidence, were not great enough to cause barriers to fish movements in the stream. (FC PIES p. 4-52).

Stream Subsidence: “As reported by NorWest there were no quantifiable effects on baseflow discharge attributable to mining under Burnout Creek.” (FC FEIS p. 4-33, 2002).

Seismicity: “The analysis indicates that the dam could withstand a seismic event with an equivalent horizontal ground acceleration of up to 0.1g. ... Based on an MCE of 3.3(3) or 3.45 the McGarr equation indicates that the dam could with stand this event at a distance of over 5500 feet but not closer.” (FC FEIS p. 4-16)

T&E Species: The Flat Canyon FEIS states Effects to Threatened, Endangered, and Sensitive Species would be negligible (FC FEIS p. 4-55). Section 7 consultation between the US Fish and Wildlife Service and the Manti La-Sal National Forest took place with a determination in a letter dated November 2, 2001 regarding consultation for the Flat Canyon Coal Lease.

7. Are the public involvement and interagency review associated with existing NEPA document(s) adequately for the current proposed action?

Documentation of answer and explanation: YES
The previous NEPA documents addressed in this analysis all had adequate public participation, and they will not be discussed further in this document. The public input to the most recent NEPA documents is discussed below.

The Flat Canyon EIS initiated public scoping in the Federal Register on March 17, 2001 and the comment period ended April 18, 2001. Nine letters and two phone calls were received in response to the scoping. The DEIS Notice of Availability was published in the Federal register on Friday May 18, 2001 and the comment period ended at COB on July 2, 2001. There were nine letters received on the DEIS with comments.

An additional Public Meeting was held on the Fair Market Value of the coal tract and Draft Environmental Impact statement on June 21, 2001 and the notices were published in the “Sun Advocate” of Carbon County Utah starting on June 12, 2001 and “Pyramid” of Sanpete County Utah starting on June 13, 2001. The Federal Register Notice that a public meeting had been held and request for further comments was also published in the Federal Register. There were no comments or letters received on the DEIS due to the meetings.

The Forest Service proposal documented in the Decision Memo that Categorically Excluded this area from NEPA went through the process of Public comment on November 23, 2000 and November 28, 2000. This proposal was published in the “Sun Advocate” newspaper and in the “Emery County progress” newspaper on the respective dates. Three letters were received. The three concerns the US Fish and Wildlife expressed were as follows (MEMO to Manti La Sal National Forest dated January 18, 2001);

1) Full extraction under Huntington Creek. This plan modification does not propose or approve full extraction mining under Huntington Creek.
2) Full extraction under lower James Creek. This plan modification does not propose or approve mining of any kind under lower James Creek. It only affects Burnout Creek.
3) Study on James Creek. No mining is anticipated under the lower section of James Creek and therefore no studies are necessary.

The Forest Service was consulted in the preparation of this DNA, and they provided comments as follows:

1) The FS decision on the leasing of the tract included a statement by the FS that, “This decision does not approve mining that would cause subsidence or surface disturbance”. However, the Forest Service did consent to the modification of the lease with the stipulations that existed on the lease.
2) The FS stated that, “the proposal being considered is not eligible for Categorical Exclusion under the Forest Service handbook (FSH 1909.15 Chapter 30) since there could be effects to riparian vegetation constituting extraordinary circumstances.” Norwest addressed this question in the Technical Report Surface-water and Ground water Resources in the Flat Canyon Area (p. 5-13). They stated that, “Although the potential for minor changes in stream morphology does exist, the experience of CFC in mining Burnout Canyon suggests that the changes that may occur would not be large enough to cause major detrimental impacts to the streams in the RFDS area.”
3) The FS stated that “Conclusions for these items fail to consider that the stream gradient of the lower portion of Burnout Canyon Creek proposed for longwall mining and mining-induced subsidence appears to be flatter and may have substantially less gradient than those portions discussed in the cited documents. Additional assessment of the stream gradient is needed to forecast potential effects”. This gradient difference was carefully considered and analyzed in the light of such a situation. This modification being only for single seam mining of the Lower O’Connor A Seam. The Flat Canyon FEIS analyzed this problem for single seam situations. Also, in all of the single seam cases of low gradient streams on the Flat Canyon Coal Tract (Less than 1 mile away from the proposed area) the predicted Subsidence and degree of Effect was, very low (no major tension cracking and induced surfaced gradient changes less than about 0.4%) – to - low (low potential for surface cracking to occur and induced surface gradient changes of about 0.4% to 0.8%). (Flat Canyon FEIS p. 4-12 and 4-9). Therefore there should be little or no negative effect because the gradient of Burnout Canyon creek appears to be at least equal to the stream gradients analyzed in the Flat Canyon FEIS.

E. Interdisciplinary Analysis: Identify those team members conducting or participating in the preparation of this worksheet.

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Resource Represented</th>
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</thead>
<tbody>
<tr>
<td>Worksheet Preparation</td>
<td></td>
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<tr>
<td>Stan Perkes</td>
<td>Mining Engineer</td>
<td>Mining</td>
</tr>
<tr>
<td>Arn Berglund</td>
<td>Fisheries</td>
<td>Fisheries and Hydrology</td>
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<tr>
<td>Steve Madsen</td>
<td>Wildlife</td>
<td>Wildlife</td>
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<tr>
<td>Jim Kohler</td>
<td>Geologist</td>
<td>Geology</td>
</tr>
<tr>
<td>Greg Thayn</td>
<td>NEPA Coordinator</td>
<td>NEPA</td>
</tr>
</tbody>
</table>

F. Mitigation Measures: List any applicable mitigation measures that were identified, analyzed, and approved in relevant LUPs and existing NEPA document(s). List the specific mitigation measures or identify an attachment that includes those specific mitigation measures. Document that these applicable mitigation measures must be incorporated and implemented.

Mitigation is not required, based on the current information there will be no impacts. In the event there are impacts there is mitigating stipulations in the Federal Coal lease.

CONCLUSION

☐ Based on the review documented above, I conclude that this proposal conforms to the applicable land use plan and that the existing NEPA documentation fully covers the proposed action and constitutes BLM’s compliance with the requirements of NEPA.
Note: If one or more of the criteria are not met, a conclusion of conformance and/or NEPA adequacy cannot be made and this box cannot be checked.

Signature of the Responsible Official

17 March 2003

Date

INCORPORATED

DIV OF OIL GAS & MINING

ATTACHMENT 1-6
Appendix 118A

RIGHT OF ENTRY
SCOFIELD WASTE ROCK SITE

Information concerning the Scofield Waste Rock site is located in Appendix A of Section 3.2 and the CONFIDENTIAL FILE.
Via Certified Mail

November 20, 2007

Price River Water Users Association
90 North 100 East
Price, Utah 84501

RE: Canyon Fuel Company, LLC, Skyline Mine, Entry and Room Development in portions of the S1/2S1/2 Section 36, T 12 South, Range 6 East, and the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M

Dear Sirs:

Please note, this correspondence is a follow up to similar letters sent both June 15, 2007, and October 17, 2007. The legal description on the October 17, 2007 correspondence incorrectly identified the S1/2S1/2 of Section 36, T12S, R6E, as the S1/4 of said Section. The area is correctly identified as the S1/2S1/2 of Section 36, Township 12 South, Range 6 East.

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine’s plan to expand its permit area by approximately 680 acres in portions of the S1/2S1/2 Section 36, T 12 South, Range 6 East, and the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon, and some room-and-pillar mining. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of developing the mains or room-and-pillar mining. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 488-2619. Skyline Mine apologizes for the need of this additional correspondence.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cc: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining
October 17, 2007

Price River Water Users Association
90 North 100 East
Price, Utah 84501

RE: Canyon Fuel Company, LLC, Skyline Mine, Entry and Room Development in portions of the S1/4 Section 36, T 12 South, Range 6 East, and the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M

Dear Sirs:

Please note, this correspondence is a follow up to a similar letter sent June 15, 2007. The legal description on the June 15, 2007 correspondence incorrectly identified the W1/2SW1/4 of Section 1, and did not include the entire increase in the permit area – only the area where mining is planned. The area is correctly identified as the W1/2SE1/4 of Section 1, Township 13 South, Range 6 East, and the entire proposed permit boundary addition is described.

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine’s plan to expand its permit area by approximately 680 acres in portions of the S1/4 Section 36, T 12 South, Range 6 East, and the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon, and some room-and-pillar mining. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of developing the mains or room-and-pillar mining. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 488-2619. Skyline Mine apologizes for the need of this additional correspondence.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cc: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining
June 15, 2007

Price River Water Users Association
90 North 100 East
Price, Utah 84501

RE: Canyon Fuel Company, LLC, Skyline Mine, Entry and Room Development in the S1/2SW1/4 Section 36, Township 12 South, Range 6 East, the N1/2NW1/4, W1/2NW1/4, and S1/2SW1/4 of Section 1, Township 13 South, Range 6 East, and the N1/2NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M.

Dear Sirs:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine’s plan to expand its permit area by approximately 180 acres in portions of the S1/2SW1/4 Section 36, Township 12 South, Range 6 East, the W1/2SW1/4 of Section 1, and the N1/2NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of developing the main or room-and-pillar mining. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 488-2619.

Sincerely,

[Signature]

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cc: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining
November 20, 2007

Mr. Phil Allred
P.O. Box 96
Fountain Green, Utah 84632

RE: Canyon Fuel Company, LLC, Skyline Mine, Entry and Room Development in portions of the S1/4 of Section 36, Township 12S Range 6 East, SLB&M, and the NW1/4 of Section 1 located north of Winter Quarters Creek, Township 13 South, Range 6 East, SLB&M.

Dear Mr. Allred:

Please note, this correspondence is a follow up to similar letters sent both June 15, 2007 and October 17, 2007. The October correspondence incorrectly identified the S1/2S1/2 of Section 36, Township 12 South, Range 6 East as the S1/4 of said Section. The following legal description identifies the entire area that is being permitted through the Utah Division of Oil, Gas, and Mining.

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine's plan to expand its permit area in a portion of the S1/2S1/2 of Section 36, Township 12 South, Range 6 East, SLB&M, and portions of the NW1/4 of Section 1 located north of Winter Quarters Creek, Township 13 South, Range 6 East, SLB&M. The area will encompass approximately 112 acres of mine development, with the permitted area located on your property being expanded by a total of approximately 296 acres. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of the mining in any of the areas identified in Section 1. Subsidence may occur in some of the area identified in Section 36; not as a part of the current activity, but possibly with future longwall mining. No surface disturbance will occur with the currently proposed development in Section 36. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 488-2619. Skyline Mine apologizes for the need of this additional correspondence.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cx: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining
October 17, 2007

Mr. Phil Allred
P.O. Box 96
Fountain Green, Utah 84632

RE: Canyon Fuel Company, LLC, Skyline Mine, Entry and Room Development in portions of the S1/4 of Section 36, Township 12S Range 6 East, SLB&M, and the NW1/4 of Section 1 located north of Winter Quarters Creek, Township 13 South, Range 6 East, SLB&M.

Dear Mr. Allred:

Please note, this correspondence is a follow up to a similar letter sent June 15, 2007. Portions of the area identified to be undermined in the June 15, 2007, are correct. The following legal description identifies the entire area that is being permitted through the Utah Division of Oil, Gas, and Mining.

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine's plan to expand its permit area in a portion of the S1/4 of Section 36, Township 12 South, Range 6 East, SLB&M, and portions of the NW1/4 of Section 1 located north of Winter Quarters Creek, Township 13 South, Range 6 East, SLB&M. The area will encompass approximately 112 acres of mine development, with the permitted area located on your property being expanded by a total of approximately 296 acres. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of the mining in any of the areas identified in Section 1. Subsidence may occur in some of the area identified in Section 36; not as a part of the current activity, but possibly with future longwall mining. No surface disturbance will occur with the currently proposed development in Section 36. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 488-2619. Skyline Mine apologizes for the need of this additional correspondence.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cx: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining
Via Certified Mail

June 15, 2007

Mr. Phil Allred
P.O. Box 96
Fountain Green, Utah 84632

RE: Canyon Fuel Company, LLC, Skyline Mine, Entry and Room Development in the S1/2SW1/4 of Section 36, Township 12S Range 6 East, SLB&M, and the W1/2NW1/4, the N1/2NW1/4 of Section 1, Township 13 South, Range 6 East, SLB&M.

Dear Mr. Allred:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine's plan to expand its permit area in a portion of the S1/2SW1/4 of Section 36, Township 12 South, Range 6 East, SLB&M, and a portion of the W1/2NW1/4, the N1/2NW1/4 of Section 1, Township 13 South, Range 6 East, SLB&M. The total area will encompass approximately 42 acres of mine development. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of the mining in any of the areas identified in Section 1. Subsidence may occur in some of the area identified in Section 36; not as a part of the current activity, but possibly with future longwall mining. No surface disturbance will occur with the currently proposed development in Section 36. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 488-2619.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cx: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining
October 17, 2007

Mr. George Liodakis  
c/o Liodakis Ranch, LLC  
2655 East Chalet Circle  
Sandy, Utah 84093

RE: Canyon Fuel Company, LLC, Skyline Mine, Mine Entry and Room Development in portions of the W1/2 of Section 1 located south of Winter Quarters Creek, the W1/2SE1/4 of Section 1, the N1/2NW1/4 and the SW1/4NW1/4 of Section12, Township 13 South, Range 6 East, SLB&M.

Dear Mr. Liodakis:

Please note, this correspondence is a follow up to a similar letter sent June 15, 2007. Portions of the areas in Section 1 and Section 12, Township 13 South, Range 6 East, to undermined was mistakenly identified. Identifying the entire W1/2 of Section 1 located south of Winter Quarters Creek, and the W1/2SE1/4 of Section 1, the N1/2NW1/4 and the SW1/4NW1/4 of Section 12 more accurately represents the area being both permitted and undermined.

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine’s plan to expand its permit area in portions of the W1/2 of Section 1 located south of Winter Quarters Creek, the W1/2SW1/4 of Section 1, the N1/2NW1/4 of Section12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M. The area will encompass approximately 128 acres of room-and-pillar mining, with the permitted area located on your property being expanded by a total of approximately 384 acres. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of developing the room-and-pillar mining. No surface disturbance will occur will the currently proposed development. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 488-2619. Skyline Mine apologizes for the need of this additional correspondence.

Sincerely,

[Signature]

Wess Sorensen  
Mine Manager, Skyline Mine  
Canyon Fuel Company, LLC

Cc: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining
Via Certified Mail

June 15, 2007

Mr. George Liodakis
c/o Liodakis Ranch, LLC
2655 East Chalet Circle
Sandy, Utah 84093

RE: Canyon Fuel Company, LLC, Skyline Mine, Mine Entry and Room Development in the W1/2SW1/4 of Section 1 and the N1/2NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M.

Dear Mr. Liodakis:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine's plan to expand its permit area by approximately 140 acres in portions of the W1/2SW1/4 of Section 1, and N1/2NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of developing the main or room-and-pillar mining. No surface disturbance will occur with the currently proposed development. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 488-2619.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cc: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining
March 17, 2010

Carbon County Planning Department
120 East Main
Price, Utah 84501

RE: Application for Conditional Use Permit, Winter Quarters Ventilation Facility
Scofield, Utah - Canyon Fuel Company, LLC – Skyline Mine

Dear County Planning Staff:

Attached to this letter is pertinent information requesting a Conditional Use Permit to construct and operate a ventilation facility in Winter Quarters Canyon associated with Canyon Fuel company’s Skyline Mine. The facility is necessary to facilitate mining north of Winter Quarters Canyon. The site’s primary function is to provide ventilation and an emergency exit for the miners. No coal will be mined from or stored at the facility. The facility is necessary for the continued operation of the mine.

The Winter Quarters Ventilation Facility (WQVF) will be located approximately two (2) miles west of Scofield, Utah in the SE/4NW/4 and SW/4NE/4, Section 1, T13S, R6E. The WQVF proposes to disturb approximately 2.36 acres in Winter Quarters Canyon. To minimize any potential for environmental impacts, the pad has been located outside of the riparian area of Winter Quarters Creek to maintain a vegetative buffer zone between the pad and creek. Included in the pad design are a sedimentation pond and other sediment control devices to treat any storm water runoff from the site. Access to the site is via existing private and Scofield City roads. Following construction of the ventilation facility, no regular traffic-related uses are proposed for the site.

In addition to acquiring a Conditional Use Permit, Skyline Mine has already acquired a Water Quality discharge permit from the Utah Division of Environmental Quality, and is in the process of modifying the Skyline Mine permit with the Utah Division of Oil, Gas, and Mining (UDOGM) to allow the WQVF. Included in the UDOGM permit are studies that evaluate effects to wildlife, soil, vegetation, threatened and endangered species, air quality, water quality, cultural resources, and the aquatic wildlife health.

Construction of the WQVF pad site will span an approximately two (2) year period. Activities during the summer months of 2010 would include construction of the approximately 2.36 acre pad and related sediment control devices. Beginning in the summer of 2011 construction of the ventilation shaft and/or slope would commence. Completion of the shaft and/or slope is anticipated to take approximately six to eighteen months. A mine ventilation fan will be installed in 2011 or 2012.

Attached to this cover letter are the Conditional Use application and two (2) maps: 1) a general location map; and 2) a detailed WQVF site map.

If you have any questions regarding this information, please give me a call at (435) 448-2619.

Sincerely,

Wesley K. Sorensen
General Manager
CARBON COUNTY, UTAH
APPLICATION FOR A CONDITIONAL USE PERMIT

APPLICANT: Canyon Fuel Company, LLC - Skyline Mine
ADDRESS: HC 35 Box 380, Helper, Utah 84526
PHONE: (435) 448-2636
PROPOSED PROJECT: 2.36 acre Ventilation pad
PROPOSED LOCATION: Approximately two (2) miles west of Scofield, Utah
TYPE OF BUSINESS: Mining
DESCRIPTION OF PROJECT: Construct a level pad site to establish a ventilation shaft and slope for continued mining.

Signature of Applicant  

| Access: The County Road Department has reviewed the information regarding the above proposed project. Our review concludes that the following impacts will be: |
| Ray Hanson, County Road Supervisor, 636-3268 |
| Noxious Weed Review: The County Weed Department has reviewed the location of the above proposed project. Our review concludes that the following mitigation and control requirements are: |
| Mike Johnson, Supervisor, 636-3270 |
| County Engineer Approval: The County Engineer Department has reviewed the information regarding the above proposed project. Our review concludes the drainage plan and engineering requirements are: |
| Curtis Page, Engineer, 636-3231 |
| Utah Highway Access: The Utah Department of Transportation has reviewed the information regarding the above proposed project. Our review concludes that the following impacts will be: |
| UDOT Representative, 636-1470 |

INCORPORATED
JUL 29 2010
Div. of Oil, Gas & Mining
Winter Quarters Ventilation Facility

Canyon Fuel Company, LLC
Skyline Mines

INTEGRATED
JUL 29 2010

DwG: O&G & Min.13

Winter Quarters Canyon

Winter Quarters Ventilation Facility

SCALE: 1" = 400'  DATE: 3-15-10  DR: 3-15-10  REVISION: 3-15-10
CONDITIONAL USE PERMIT
COUNTY OF CARBON
DEPARTMENT OF PLANNING

THIS CERTIFICATE ISSUED AS PER SECTION 3.3.26, 3.3.31 AND 4.2.13
OF THE DEVELOPMENT CODE OF CARBON COUNTY TO:

CANYON FUEL COMPANY, LLC-SKYLINE MINE
HCR 35, BOX 380
HELPER, UTAH 84526

GRANTING A CONDITIONAL USE PERMIT TO CONSTRUCT A VENTILATION
FACILITY IN WINTER QUARTERS CANYON

DATED: July 7, 2010

EXACTIONS:

1. All State Division of Oil, Gas & Mining and Division of Water Quality permits
   must be in place prior to commencement of the project.
2. Easements and road accesses must be in place prior to commencement of the
   project, including a County Road Encroachment Permit for use of and impacts to
   the Winter Quarters Road
3. Maintain and clean drainage ways.

APPROVED BY: FRANKIE HATHAWAY
DEPUTY ZONING ADMINISTRATOR

INCORPORATED
JUL 29 2010
Div. of Oil, Gas & Mining
EASEMENT

THIS EASEMENT made as of June 9, 2010, is from the D. Euray Allred Family Trust dated October 6, 1975, by and through Phillip E. Allred and Naomi C. Bennion, as Trustees ("Grantor"), whose address is P.O. Box 96, Fountain Green, Utah 84632, to and in favor of Ark Land Company ("Grantee"), whose address is One CityPlace Drive, Suite 300, St. Louis, Missouri 63141.

WHEREAS, Grantor owns certain interests in the lands in Carbon County, Utah described on Exhibit 1 ("Easement Lands"); and

WHEREAS, the Easement Lands contain a road commonly known as the "Winter Quarters Canyon Road" ("Road") which is used to access the Leased Premises described and depicted on Exhibit 2 ("Leased Premises"); and

WHEREAS, pursuant to that certain Lease Agreement dated June 9, 2010 ("Lease Agreement") Grantee leased from Grantor certain interests; and

WHEREAS, Grantee desires to obtain an easement from Grantor over and across the Easement Lands for the purpose accessing the Leased Premises;

WHEREAS, the beneficiaries of the D. Euray Allred Family Trust dated October 6, 1975 have consented to this Easement below;

NOW, THEREFORE, Grantor hereby, to the extent it owns an interest, grants without warranty of title to Grantee a non-exclusive right of way easement over, under and across the Easement Lands for the purpose of using, maintaining and improving the existing Road and constructing, operating and maintaining power lines in connection with Grantee's use of the Leased Premises and as provided in the Lease Agreement.

1. This Easement shall be effective from the date first set forth above and shall remain in effect for so long as Grantee, its affiliates, successors or assigns are leasing the Leased Premises, after which time this Easement shall terminate.

2. All rights and benefits of Grantee under this Easement shall be for the benefit of Grantee and its affiliates, who shall have the right to exercise any and all rights of Grantee under this Easement.

3. The rights granted without warranty of title under this Easement shall run with and burden the Easement Lands. This Easement shall be binding upon and inure to the benefit of the parties hereto, and their respective distributees, devisees, successors and assigns, provided however, that any distribution, transfer or assignment of the Easement Lands shall be made expressly subject to this Easement and shall not operate as a waiver, release, amendment or modification of any term of this Easement.

4. Grantor hereby appoints Jeannine A. Sorensen, 1595 North 1400 West, Provo, Utah 84604, as its agent ("Agent") for the purpose of receiving notices for Grantor's benefit under the terms of this Easement. Delivery of notices to the Agent shall discharge Grantee
absolutely with respect to notices required or permitted hereunder. The Agent shall be replaced as provided in Section 16 of the Lease Agreement.

5. All notices given in connection with this Easement shall be in writing and shall be deemed to have been duly given and delivered (i) on the date of delivery if personally delivered to the person identified below, (ii) three days after mailing if mailed by certified or registered mail, postage prepaid, return receipt requested, and (iii) one business day after delivery to any overnight express courier service as provided below. Any party may give notice in writing of any change of its address. The address provided in said notice will thereafter be deemed to be the address of the party for the giving of notice hereunder.

If to Grantee:

Ark Land Company
One CityPlace Drive, Suite 300
St. Louis, MO 63141
Telephone: (314) 994-2950
Fax: (314) 994-2940

With copy to:

Skyline Mine
Attn: Mine Manager
HC 35 Box 380
Helper, UT 84526
Telephone: (435) 448-2619
Fax: (435) 448-2632

If to Grantor:

Jeannine A. Sorensen
1595 North 1400 West
Provo, Utah 84604
Telephone/Fax: (801) 377-4709

With copy to:

Phillip E. Allred
Trustee of the D. Eury Allred Family Trust
dated October 6, 1976,
P.O. Box 96
Fountain Green, UT 84632
Telephone/Fax: (435) 469-0155

And

Naomi C. Bennion
Trustee of the D. Eury Allred Family Trust
dated October 6, 1976
4494 South 4515 West
Salt Lake City, UT 84120
Telephone/Fax: (801) 967-6627

6. This Easement may be executed in multiple counterparts which together shall be deemed to constitute one and the same document.
IN WITNESS WHEREOF, Grantor has caused this Easement to be duly executed as of the date first written above.

GRANTOR

D. Eurai Allred Family Trust dated October 6, 1975

By: Phillip E. Allred
Name: Phillip E. Allred
Its: Trustee

By: Naomi C. Bennion
Name: Naomi C. Bennion
Its: Trustee

STATE OF UTAH SS
COUNTY OF SALT LAKE

On this 1/4 day of June, 2010, personally appeared before me Phillip E. Allred, the Trustee of the D. Eurai Allred Family Trust dated October 6, 1975, and signer of the above Easement, who duly acknowledged to me that he executed the same on behalf of the trust.

WITNESS my hand and official seal.

Notary Public

STATE OF UTAH SS
COUNTY OF SALT LAKE

On this 1/4 day of June, 2010, personally appeared before me Naomi C. Bennion, the Trustee of the D. Eurai Allred Family Trust dated October 6, 1975, and signer of the above Easement, who duly acknowledged to me that she executed the same on behalf of the trust.

WITNESS my hand and official seal.

Notary Public

THE BENEFICIARIES of the D. Eurai Allred Family Trust dated October 6, 1975, consent to this Easement agreement by signing below.
Phillip E. Allred, an individual

P.O. Box 96
Fountain Green, UT 84632
Telephone/Fax: (435) 469-0155

Naomi C. Bennion, an individual

4494 South 4515 West
Salt Lake City, UT 84120
Telephone/Fax: (801) 967-6627

Jeannine A. Sorensen, an individual

Address: 1595 North 1400 West
Provo, UT 84604
Telephone/Fax: (801) 377-4709

Bryan E. Allred, an individual

Address: P.O. Box 116
Fountain Green, UT 84632
Telephone/Fax: (435) 445-3528

Celes Erickson, an individual

Address: 908 East Spokane
Ellensburg, WA 98929
Telephone/Fax: (509) 925-3657
Philip E. Allred, an individual

P.O. Box 96
Fountain Green, UT 84632
Telephone/Fax: (435) 469-0155

Naomi C. Bennion, an individual

4494 South 4515 West
Salt Lake City, UT 84120
Telephone/Fax: (801) 967-6627

Jeannine A. Sorensen, an individual

Address: 1595 North 1400 West
Provo, UT 84604
Telephone/Fax: (801) 377-4709

Bryan E. Allred, an individual

Address: P.O. Box 116
Fountain Green, UT 84632
Telephone/Fax: (435) 445-3528

Celes Erickson, an individual

Address: 908 East Spokane
Ellensburg, WA 98929
Telephone/Fax: (509) 925-3657

INCORPORATED

JUL 29 2010
Div. of Oil, Gas & Mining
Phillip E. Allred, an individual

P.O. Box 96
Fountain Green, UT 84632
Telephone/Fax: (435) 469-0155

Naomi C. Bennion, an individual

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Salt Lake City, UT 84120
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Celes Erickson, an individual

Address: 908 East Spokane
Ellensburg, WA 98929
Telephone/Fax: (509) 925-3657
Exhibit 1 to Easement

EASEMENT LANDS

A road easement consisting of a traveling road surface of 30 feet in width (15 feet on each side of the centerline of the existing road) together with so much additional contiguous land as is reasonably necessary to construct and operate the road beginning at the gate at the entrance to Grantor’s property to the Leased Premises and insofar as the road covers and relates to portions of the following lands in Carbon County, Utah located north of the center line of Winter Quarters Canyon Creek:

Township 13 South, Range 6 East
Section 1: S/2NE/4

Township 13 South, Range 7 East
Section 6: S/2N/2

Excluding the Leased Premises, as defined in this Easement.
Exhibit 2
to
Easement

LEASED PREMISES

Beginning at a point located at the center line of Winter Quarters Canyon Creek which is 2,260 feet South and 1,402 feet West from the northeast corner of Section 1, Township 13 South, Range 6 East, Salt Lake Base & Meridian; thence North 246 feet; thence West 1,651 feet; thence South 475 feet to the center line of Winter Quarters Canyon Creek; thence Easterly approximately 1,664 feet along the center line of Winter Quarters Canyon Creek to the Point of Beginning; having an area of approximately 12.73 acres.
ASSISTANT SECRETARY’S CERTIFICATE

ARCH COAL, INC.

I, Jon S. Ploetz, Assistant Secretary of Arch Coal, Inc., a Delaware Corporation (the “Company”), hereby certifies that Ark Land Company is a wholly owned subsidiary of the Company.

WITNESS my hand and seal of the Company this 28th day of June, 2010.

[Signature]
Jon S. Ploetz, Assistant Secretary

State of Missouri )
County of St. Louis ) ss

Sworn and Subscribed to before me this 28th day of June, 2010.

[Signature]
Jolene Jouett Mermis

My Commission Expires: May 21

JOLENE JOUETT MERMIS
Notary Public - Notary Seal
State of Missouri
Commissioned for St Louis County
My Commission Expires: May 21, 2011
Commission Number: 07389556

INCORPORATED
JUL 29 2010
Div. of Oil, Gas & M. 
June 17, 2010

To Whom It May Concern:

Front Street in the Town of Scofield is a town street beginning at Utah Highway 96 and extending westerly for approximately 3,500 feet to the Scofield town limit at the west section line of Section 5, Township 13 South, Range 7 East, SLBM. Front Street is a town road, hence it is a public road and the public is entitled to use it. Skyline Mine has full rights to use the full length of the street during the construction and operation of its Winter Quarters Canyon ventilation facility.

Sincerely

Machelle E Woolsey Town Clerk
Chapter 1, Appendix 118-A
Special Warranty Deed
THIS SPECIAL WARRANTY DEED ("Deed"), dated effective as of the 20th day of December, 2010, is by and between Peabody Natural Resources Company (formerly known as Hanson Natural Resources Company), a Delaware general partnership between New Mexico Coal Resources, LLC and Peabody America, Inc., with principal offices at 701 Market Street, Suite 718, St. Louis, Missouri 63101 ("Grantor"), and Ark Land Company, a Delaware corporation with an office at 1 CityPlace, Suite 300, St. Louis, MO 63141 ("Grantee").

WITNESSETH, That Grantor, for and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, by these presents does CONVEY and SPECIALLY WARRANT unto Grantee, its successors and assigns, all of Grantor's right, title and interest in and to the property located in Carbon County, Utah and described on Schedule 1 attached hereto (the "Property");

TOGETHER with all and singular, hereditaments and appurtenances thereto belonging, or in any appertaining, all rights of ingress and egress, all rights by virtue of mineral reservations and mineral severance language, all water rights, rights-of-way and easements appurtenant thereunto, now or hereafter used or enjoyed with said Property, or any part thereof, and all right, title, interest, claim and demand whatsoever of Grantor, either in law or equity, of, in and to the Property;

PROVIDED, Grantor specially warrants and will defend title to the coal located in, on or under the Property against all persons or entities claiming any interest in the same by, through or under Grantor but not otherwise; and

RESERVING unto Grantor a production royalty of five percent (5%) of Gross Proceeds for all coal mined, removed and sold from that portion of the Property defined on Schedule 1 as "Royalty Lands" to be calculated and paid as follows:

"Gross Proceeds" shall have the same meaning as the term gross proceeds is defined in 30 C.F.R., Part 206, Subpart F, with respect to Federal coal leases and the calculation of the value of the royalty shall be determined under the provisions of such subpart applicable to Federal ad valorem coal leases, including amendments thereto and administrative and judicial interpretation thereof which shall include, without limitation, any deductions, adjustment or allowances now existing or hereafter permitted in calculating royalty due under Federal coal leases.

The royalty due and payable for coal mined, removed and sold from the Royalty Lands during any calendar month shall be paid on or before the last day of the next succeeding calendar month. Delinquent payments shall bear interest from their due date at a per annum rate which is one percent (1%) above the prime interest rate as quoted in the Wall Street Journal on the first day of the month in which payment is due.

Grantee shall keep a true and correct records of all coal mined, removed and sold from the Royalty Lands and shall maintain accurate and complete accounting records in support of all royalty payments with respect to coal production from the Royalty Lands in accordance with the standards for calculating Federal royalty as set out in 30 C.F.R., Part 206, Subpart F and generally recognized accounting principles.

On or before the last day of each calendar month following a month during which Grantee produces coal from the Royalty Lands, Grantee shall furnish Grantor a true and
correct statement showing the tons of coal actually mined, removed, and sold during the preceding calendar month from the Royalty Lands.

All royalty payments shall be considered final and in full satisfaction of all obligations of Grantee with respect thereto unless Grantor gives Grantee written notice describing and setting forth a specific objection to the calculation thereof within sixty (60) days after receipt by Grantor of the challenged royalty payment and applicable monthly statement. If Grantor objects to a particular royalty payment and monthly statement as herein provided, Grantor shall, for a period of sixty (60) days after Grantee's receipt of notice of such objection, have the right to have Grantee's accounts and records relating to calculation of the monthly statement and applicable royalty payment in question audited by an independent accounting firm acceptable to Grantee and Grantor. Grantee shall account for any deficits or excess in the payment made to Grantor pursuant to the monthly statement(s) in question which may be confirmed by such an audit by adjusting the next monthly royalty payment following completion of such audit to account for such deficits or excess. If the variation between the amount of a particular royalty payment made to Grantor hereunder as calculated by the audit provided for herein exceeds Five Percent (5%), Grantee shall pay all costs of such audit. If such variation is Five Percent (5%) or less, Grantor shall pay all costs of such audit. The audit rights provided hereunder shall be Grantor's sole and exclusive remedy regarding payment of the royalty and the conclusions of the independent accounting firm shall be binding on the parties.

Nothing herein shall limit, restrict or prohibit free alienation of the Property including the Royalty Lands. The royalty shall not constitute a personal obligation of Grantee but shall burden and run with the Royalty Lands

This Deed may be executed in counterparts. Each executed counterpart shall be deemed to be an original and all such counterparts when read together constitute one and the same instrument.

TO HAVE AND TO HOLD, unto Grantee, its successors and assigns forever.
IN WITNESS WHEREOF, Grantor and Grantee have hereunder executed this Special Warranty Deed effective the day and year first above written.

GRANTOR:

Peabody Natural Resources Company, a Delaware general partnership between New Mexico Coal Resources, LLC and Peabody America, Inc.

New Mexico Coal Resources, LLC

By: __________________________
Its: __________________________

Peabody America, Inc.

By: __________________________
Its: __________________________

GRANTEE:

Ark Land Company

[Signature]

By: __________________________
Its: __________________________
STATE OF ___________ )
COUNTY OF ___________ ) SS

On this _ day of December, 2010, personally appeared before me ___________, the _______ of New Mexico Coal Resources, LLC, on behalf of Peabody Natural Resources Company, a Delaware general partnership between New Mexico Coal Resources, LLC and Peabody America, Inc., and signer of the above Special Warranty Deed, who duly acknowledged to me that he executed the same on behalf of the company.

WITNESS my hand and official seal.

My commission expires: __________

STATE OF ___________ )
COUNTY OF ___________ ) SS

On this _ day of December, 2010, personally appeared before me ___________, the _______ of Peabody America, Inc., on behalf of Peabody Natural Resources Company, a Delaware general partnership between New Mexico Coal Resources, LLC and Peabody America, Inc., and signer of the above Special Warranty Deed, who duly acknowledged to me that he executed the same on behalf of the company.

WITNESS my hand and official seal.

My commission expires: __________

STATE OF Missouri )
COUNTY OF St. Louis ) SS

On this 16th day of December, 2010, personally appeared before me President, the _______ of Ark Land Company, a Delaware corporation, and signer of the above Special Warranty Deed, who duly acknowledged to me that he executed the same on behalf of the company.

WITNESS my hand and official seal.

My commission expires: 9-12-2011

INcorporated
FEB 09 2011
Rev. of Oil, Gas & Mining
IN WITNESS WHEREOF, Grantor and Grantee have hereunder executed this Special Warranty Deed effective the day and year first above written.

GRANTOR:

Peabody Natural Resources Company, a Delaware general partnership between New Mexico Coal Resources, LLC and Peabody America, Inc.

New Mexico Coal Resources, LLC

By: 
Its:

Peabody America, Inc.

By: Walter L. Hawkins, Jr.
Its: Sr. V.P. and Treasurer

GRANTEE:

Ark Land Company

By: 
Its:

INcorporated
FEB 09 2011

Div. of Oil, Gas & Mining

Ent 808766 Bk 0738 Pg 0310
On this 10 day of December, 2010, personally appeared before me JAMES C. SEVEN, the VICE PRESIDENT of New Mexico Coal Resources, LLC, on behalf of Peabody Natural Resources Company, a Delaware general partnership between New Mexico Coal Resources, LLC and Peabody America, Inc., and signer of the above Special Warranty Deed, who duly acknowledged to me that he executed the same on behalf of the company.

WITNESS my hand and official seal.

My commission expires: 12/10/2014

Suzanne R. Carlch, Notary Public
St. Louis City, State of Missouri
My Commission Expires 12/10/2014
Commission Number 1092215

On this 10 day of December, 2010, personally appeared before me WALTER L. HAWKINS, JR, the SR. VP/TREASURER of Peabody America, Inc., on behalf of Peabody Natural Resources Company, a Delaware general partnership between New Mexico Coal Resources, LLC and Peabody America, Inc., and signer of the above Special Warranty Deed, who duly acknowledged to me that he executed the same on behalf of the company.

WITNESS my hand and official seal.

My commission expires: 12/10/2014

Suzanne R. Carlch, Notary Public
St. Louis City, State of Missouri
My Commission Expires 12/10/2014
Commission Number 1092215

On this 10 day of December, 2010, personally appeared before me __________, the __________ of Ark Land Company, a Delaware corporation, and signer of the above Special Warranty Deed, who duly acknowledged to me that he executed the same on behalf of the company.

WITNESS my hand and official seal.

My commission expires: __________
SCHEDULE 1

to

Special Warranty Deed

Attached to and made a part of that certain Special Warranty Deed dated the 20th day of December, 2010, from Peabody Natural Resources Company and Ark Land Company.

PROPERTY

Royalty Lands

Township 12 South, Range 7 East, S.L.B. & M.
Section 19: Lot 3 (NW/4 SW/4), Lot 4 (SW/4 SW/4), SE/4 SW/4
Section 30: SE/4NW/4, SW/4NE/4, W/2SE/4
Section 31: SW/4SE/4, NE/4NW/4, S/2NW/4, NW/4NE/4

Township 13 South, Range 7 East, S.L.B & M.
Section 6: Lot 2 (NW/4 NE/4)

Carbon County, Utah

Non-Royalty Lands

Township 12 South, Range 6 East, S.L.B. & M.
Section 36: S/2N/2, N/2S/2

Carbon County, Utah
AFFIDAVIT OF PUBLICATION

STATE OF UTAH
ss.
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 4 (Four) consecutive issues, and on the Utah legals.com website, the first publication was on the 22nd day of January, 2013, and that the last publication of such notice was in the issue of such newspaper dated the 12th day of February 2013.

Richard Shaw - Publisher

Subscribed and sworn to before me this 12th day of February, 2013.

Linda Thayn
Notary Public My commission expires January 10, 2015 Residing at Price, Utah

Publication fee, $ 537.60
December 30, 2013

Coal Regulatory Program
Attn.: Darron Haddock
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

RE: Copies of Certified Letters – North Lease Modification extension of Mining, Canyon Fuel Company, Skyline Mine, C/007/005,

Dear Mr. Haddock:

Included with this letter are copies of letters sent to landowners and water users in the North Lease area to notify them of future mining, per State regulation R645-301-525.700. Letters were sent to the Manti-LaSal National Forest Supervisor Ms. Alice Carlton, Forest Ranger Ms. Mesia Nyman, the Price River Water Improvement District, the Price River Water Users Association, and members of the Allred Family Trust.

If you have any questions, please give me a call at (435) 448-2636.

Sincerely,

Gregg A. Galecki
Canyon Fuel Company, LLC
Environmental Engineer – Skyline Mine
December 30, 2013

Allred Family Trust
c/o Mr. Phil Allred
P.O. Box 96
Fountain Green, Utah 84632

RE: Canyon Fuel Company, LLC, Skyline Mines; Continued Mining in Federal Lease UTU-67939 commonly referred to as the “North Lease”

To Whom It May Concern:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mines is notifying you of the mine’s plan to expand mining further into Sections 25, 26, and 34 in Township 12 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area, commonly referred to as the “North Lease” and plans to continue to mine Federal Lease UTU-67939 underlying National Forest lands in these areas. Mining is ongoing and will continue through approximately 2018. No subsidence or surface disturbance will occur as the result of developing the mains in any of the areas listed. Minor surface subsidence may occur in areas where longwall mining will be conducted, but no surface or ground water flows will be interrupted or diminished as a result of this mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Utah Division of Oil, Gas & Mining offices in Salt Lake City, Utah.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Gregg Galecki at (435) 448-2636 or me at (435) 448-2619.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC.

xc: Angela Nance, Utah Division of Oil, Gas & Mining
December 30, 2013

Allred Family Trust
c/o Ms. Naomi Bennion
4494 South 4515 West
Salt Lake City, Utah 84120

RE: Canyon Fuel Company, LLC, Skyline Mines; Continued Mining in Federal Lease UTU-67939 commonly referred to as the “North Lease”

To Whom It May Concern:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mines is notifying you of the mine’s plan to expand mining further into Sections 25, 26, and 34 in Township 12 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area, commonly referred to as the “North Lease” and plans to continue to mine Federal Lease UTU-67939 underlying National Forest lands in these areas. Mining is ongoing and will continue through approximately 2018. No subsidence or surface disturbance will occur as the result of developing the mains in any of the areas listed. Minor surface subsidence may occur in areas where longwall mining will be conducted, but no surface or ground water flows will be interrupted or diminished as a result of this mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Utah Division of Oil, Gas & Mining offices in Salt Lake City, Utah.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Gregg Galecki at (435) 448-2636 or me at (435) 448-2619.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC.

xc: Angela Nance, Utah Division of Oil, Gas & Mining
December 30, 2013

Carbon Water Conservation District
c/o Richard Lee
P.O. Box 509
Helper, UT 84526

RE: Canyon Fuel Company, LLC, Skyline Mines; Continued Mining in Federal Lease UTU-67939 commonly referred to as the “North Lease”

To Whom It May Concern:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mines is notifying you of the mine’s plan to expand mining further into Sections 25, 26, and 34 in Township 12 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area, commonly referred to as the “North Lease” and plans to continue to mine Federal Lease UTU-67939 underlying National Forest lands in these areas. Mining is ongoing and will continue through approximately 2018. No subsidence or surface disturbance will occur as the result of developing the mains in any of the areas listed. Minor surface subsidence may occur in areas where longwall mining will be conducted, but no surface or ground-water flows will be interrupted or diminished as a result of this mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Utah Division of Oil, Gas & Mining offices in Salt Lake City, Utah.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Gregg Galecki at (435) 448-2636 or me at (435) 448-2619.

Sincerely,

[Signature]
Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC.

xc: Angela Nance, Utah Division of Oil, Gas & Mining
December 30, 2013

Allred Family Trust
c/o Ms. Jeanine Sorensen
1595 North 1400 West
Provo, Utah 84604

RE: Canyon Fuel Company, LLC, Skyline Mines; Continued Mining in Federal Lease UTU-67939 commonly referred to as the "North Lease"

To Whom It May Concern:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mines is notifying you of the mine’s plan to expand mining further into Sections 25, 26, and 34 in Township 12 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area, commonly referred to as the "North Lease" and plans to continue to mine Federal Lease UTU-67939 underlying National Forest lands in these areas. Mining is ongoing and will continue through approximately 2018. No subsidence or surface disturbance will occur as the result of developing the mains in any of the areas listed. Minor surface subsidence may occur in areas where longwall mining will be conducted, but no surface or ground water flows will be interrupted or diminished as a result of this mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Utah Division of Oil, Gas & Mining offices in Salt Lake City, Utah.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Gregg Galecki at (435) 448-2636 or me at (435) 448-2619.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC.

xc: Angela Nance, Utah Division of Oil, Gas & Mining
December 30, 2013

Manitou-LaSal National Forest
c/o Darren Olsen
599 West Price River Road
Price, Utah 84501

RE: Canyon Fuel Company, LLC, Skyline Mines; Continued Mining in Federal Lease UTU-67939 commonly referred to as the “North Lease”

To Whom It May Concern:

As required by State mining regulations (R645-301-525,700), Canyon Fuel Company, LLC (CFC) Skyline Mines is notifying you of the mine’s plan to expand mining further into Sections 25, 26, and 34 in Township 12 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area, commonly referred to as the “North Lease” and plans to continue to mine Federal Lease UTU-67939 underlying National Forest lands in these areas. Mining is ongoing and will continue through approximately 2018. No subsidence or surface disturbance will occur as the result of developing the mains in any of the areas listed. Minor surface subsidence may occur in areas where longwall mining will be conducted, but no surface or ground water flows will be interrupted or diminished as a result of this mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Utah Division of Oil, Gas & Mining offices in Salt Lake City, Utah.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Gregg Galecki at (435) 448-2636 or me at (435) 448-2619.

Sincerely,

[Signature]
Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC.

xc: Angela Nance, Utah Division of Oil, Gas & Mining
December 30, 2013

Manti-LaSal National Forest
c/o Mr. Allen Rowley - Acting Forest Supervisor
599 W. Price River Drive
Price, Utah 84501

RE: Canyon Fuel Company, LLC, Skyline Mines; Continued Mining in Federal Lease UTU-67939 commonly referred to as the "North Lease"

To Whom It May Concern:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mines is notifying you of the mine’s plan to expand mining further into Sections 25, 26, and 34 in Township 12 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area, commonly referred to as the "North Lease" and plans to continue to mine Federal Lease UTU-67939 underlying National Forest lands in these areas. Mining is ongoing and will continue through approximately 2018. No subsidence or surface disturbance will occur as the result of developing the mains in any of the areas listed. Minor surface subsidence may occur in areas where longwall mining will be conducted, but no surface or ground water flows will be interrupted or diminished as a result of this mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Utah Division of Oil, Gas & Mining offices in Salt Lake City, Utah.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Gregg Galecki at (435) 448-2636 or me at (435) 448-2619.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC.

xc: Angela Nance, Utah Division of Oil, Gas & Mining
December 30, 2013

Price River Watershed Conservation District
265 South Fairgrounds Rd
Price, Utah 84501

RE: Canyon Fuel Company, LLC, Skyline Mines; Continued Mining in Federal Lease UTU-67939 commonly referred to as the "North Lease"

Chairman Mathis:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mines is notifying you of the mine’s plan to expand mining further into Sections 25, 26, and 34 in Township 12 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area, commonly referred to as the “North Lease” and plans to continue to mine Federal Lease UTU-67939 underlying National Forest lands in these areas. Mining is ongoing and will continue through approximately 2018. No subsidence or surface disturbance will occur as the result of developing the mains in any of the areas listed. Minor surface subsidence may occur in areas where longwall mining will be conducted, but no surface or ground water flows will be interrupted or diminished as a result of this mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Utah Division of Oil, Gas & Mining offices in Salt Lake City, Utah.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Gregg Galecki at (435) 448-2636 or me at (435) 448-2619.

Sincerely,

[Signature]

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC.

xc: Angela Nance, Utah Division of Oil, Gas & Mining
December 30, 2013

Price River Water Improvement District
265 South Fairgrounds Rd
Price, Utah 84501

RE: Canyon Fuel Company, LLC, Skyline Mines; Continued Mining in Federal Lease UTU-67939 commonly referred to as the “North Lease”

To Whom It May Concern:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mines is notifying you of the mine’s plan to expand mining further into Sections 25, 26, and 34 in Township 12 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area, commonly referred to as the “North Lease” and plans to continue to mine Federal Lease UTU-67939 underlying National Forest lands in these areas. Mining is ongoing and will continue through approximately 2018. No subsidence or surface disturbance will occur as the result of developing the mains in any of the areas listed. Minor surface subsidence may occur in areas where longwall mining will be conducted, but no surface or ground water flows will be interrupted or diminished as a result of this mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Utah Division of Oil, Gas & Mining offices in Salt Lake City, Utah.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Gregg Galecki at (435) 448-2636 or me at (435) 448-2619.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC.

xc: Angela Nance, Utah Division of Oil, Gas & Mining

*Via Certified Mail
December 30, 2013

Price River Water Users Association
90 North 100 East
Price, Utah 84501

RE: Canyon Fuel Company, LLC, Skyline Mines; Continued Mining in Federal Lease UTU-67939 commonly referred to as the “North Lease”

To Whom It May Concern:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mines is notifying you of the mine’s plan to expand mining further into Sections 25, 26, and 34 in Township 12 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area, commonly referred to as the “North Lease” and plans to continue to mine Federal Lease UTU-67939 underlying National Forest lands in these areas. Mining is ongoing and will continue through approximately 2018. No subsidence or surface disturbance will occur as the result of developing the mains in any of the areas listed. Minor surface subsidence may occur in areas where longwall mining will be conducted, but no surface or ground water flows will be interrupted or diminished as a result of this mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Utah Division of Oil, Gas & Mining offices in Salt Lake City, Utah.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Gregg Galecki at (435) 448-2636 or me at (435) 448-2619.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC.

xc: Angela Nance, Utah Division of Oil, Gas & Mining
AFFIDAVIT OF PUBLICATION

STATE OF UTAH

County of Carbon,)

I, Jenni Fasselin, 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 4 (Four) consecutive issues, and on the Utah legals.com website, the first publication was on the 12th day of May, 2015, and that the last publication of such notice was in the issue of such newspaper dated the 2nd day of June 2015.

Jenni Fasselin – Publisher

Subscribed and sworn to before me this 2nd day of June, 2015.

Notary Public My commission expires January 10, 2019 Residing at Price, Utah

Publication fee, $ 403.20

LEGAL NOTICE

Canyon Fuel Company, LLC, has filed a complete application with the Division of Oil, Gas and Mining for a revision of the existing Mining and Reclamation Plan, C/007/0005 for the Skyline Mine. Canyon Fuel Company, LLC operates the Skyline Mines with surface facilities located in Eccles Canyon which is approximately 4 miles southwest of the town of Scofield, Utah. The revision includes the addition of a ventilation shaft and associated pad adjacent to Granger Ridge road.

Underground coal mining will take place in coal reserves owned or leased by Canyon Fuel Company, LLC. A legal description of the proposed areas for these new surface facilities is described as follows:

Proposed Additional Areas Authorized for Coal Mining and Reclamation Activities

Township 12 South, Range 6 East, SLBM

Section 26: Portions of SW1/4SW1/4
Section 34: Portions of the NE1/4NE1/4

Total acres within the affected area: 3.0 acres for the ventilation facility

The address of the applicant is: Canyon Fuel Company, LLC
225 North 5th Street, Suite 900
Grand Junction, CO 81501

After filing, copies of this permit application will be available for inspection at the following location: Utah Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, Salt Lake City, Utah; and the Utah Division of Oil, Gas, and Mining website under the Coal Permit files.

Written comments or requests regarding this permit renewal 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, 1594 West North Temple, Suite 1210, Salt Lake City, Utah 84114-5801.

Published in the Sun Advocate May 12, 19, 26 and June 2, 2015.

INCORPORATED

OCT 09 2015
Div. of Oil, Gas & Mining
AFFIDAVIT OF PUBLICATION

STATE OF UTAH) ss.
County of Carbon,)

I, Jenni Fasselin, 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 4 (Four) consecutive issues, and on the Utah legals.com website, the first publication was on the 27th day of October, 2015, and that the last publication of such notice was in the issue of such newspaper dated the 17th day of November 2015.

Jenni Fasselin

Subscribed and sworn to before me this 17th day of November, 2015.

Jenni Fasselin – Publisher

Notary Public My commission expires January 10, 2019 Residing at Price, Utah

Publication fee, $ 436.80
AFFIDAVIT OF PUBLICATION

STATE OF UTAH
County of Emery,

I, Jenni Fasselin, on oath, say that I am the Publisher of the Emery County Progress, a weekly newspaper of general circulation, published at Castle Dale, State of Utah 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 on the Utah legals.com website; the first publication was on the 27th day of October, 2015, and that the last publication of such notice was in the issue of such newspaper dated the 17th day of November, 2015.

Jenni Fasselin – Publisher

Subscribed and sworn to before me this 17th day of November 2015.

Notary Public My commission expires January 10, 2019 Residing at Price, Utah

Publication fee, $312.00

LEGAL NOTICE

Canyon Fuel Company, LLC, has filed a complete application with the Division of Oil, Gas, and Mining for a revision of the existing Mining and Reclamation Plan, C/0070005 for the Skyline Mine. Canyon Fuel Company, LLC operates the Skyline Mines with surface facilities located in Eccles Canyon which is approximately 4 miles southwest of the town of Scofield, Utah. The revision includes the addition of a power line approximately 3 miles in length providing power to a ventilation facility located in Upper Huntington Canyon.

Underground coal mining will take place in coal reserves owned or leased by Canyon Fuel Company, LLC. A legal description of the proposed areas for these new surface facilities is described as follows:

Proposed Additional Areas Authorized for Coal Mining and Reclamation Activities

Township 12 South, Range 6 East. SLBM

Section 23: Portions of E1/2E1/2, SW1/4SE1/4
Section 24: Portions of N1/2
Section 25: Portions of S1/2S1/2
Section 26: Portions of NW1/4NE1/4, N1/2NW1/4, SW1/4NW1/4
Section 27: Portions of S1/2NE1/4, S1/2NW1/4

Total acres within the affected area: 4.8 acre power line and 9.7 acre ventilation facility

The address of the applicant is: Canyon Fuel Company, LLC
225 North 5th Street, Suite 900
Grand Junction, CO 81501

After filing, copies of this permit application will be available for inspection at the following location: Utah Division of Oil, Gas, and Mining, 1594 West North Temple, Suite 1210, Salt Lake City, Utah, and the Division of Oil, Gas, and Mining website under the Coal Permit files.

Written comments or requests regarding this permit renewal 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, 1594 West North Temple, Suite 1210, Salt Lake City, Utah 84114-5801.

Published in the Emery County Progress October 27, November 3, 10 and 17, 2015.
STATE OF UTAH) ss.

County of Emery,)

I, Jenni Fasselin, on oath, say that I am the Publisher of the Emery County Progress, a weekly newspaper of general circulation, published at Castle Dale, State of Utah 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 on the Utah legals.com websit; the first publication was on the 9th day of February, 2016, and that the last publication of such notice was in the issue of such newspaper dated the 1st day of March, 2016.

Jenni Fasselin – Publisher

Subscribed and sworn to before me this 1st day of March 2016.

LINDA THAYN
Notary Public My commission expires January 10, 2019 Residing at Price, Utah

Publication fee, $ 408.00
AFFIDAVIT OF PUBLICATION

STATE OF UTAH

ss.

County of Carbon,)

I, Jenni Fasselin, 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 4 (Four) consecutive issues, and on the Utah legals.com website, the first publication was on the 11th day of July, 2017, and that the last publication of such notice was in the issue of such newspaper dated the 1st day of August, 2017.

Jenni Fasselin - Publisher

Subscribed and sworn to before me this 1st day of August, 2017.

Jenni Fasselin - Publisher

Notary Public

My commission expires January 10, 2019 Residing at Price, Utah

Publication fee, $604.80

LEGAL NOTICE

Canyon Fuel Company, LLC, has filed a complete application with the Division of Oil, Gas, and Mining for a revision of the existing Mining and Reclamation Plan, C/0070005 for the Skyline Mine. Canyon Fuel Company, LLC operates the Skyline Mines with surface facilities located in Eccles Canyon which is approximately 4 miles southwest of the town of Scofield, Utah. The revision changes the post-mining land use for a portion of the South Fork Breakout.

Post-mining land use will be changed for a 0.36-acre portion of the South Fork Breakout from wildlife habitat & grazing to logging to accommodate a US Forest Service timber sale. The 0.36 acres will be released from Skyline's Reclamation Bond obligations. Skyline is not currently requesting a reduction in the Bond amount. The remaining 0.60-acre portion will continue to be reclaimed per Canyon Fuel Company, LLC's Mining and Reclamation Plan.

A legal description of the proposed areas for these new surface facilities is described as follows:

Areas Authorized for Coal Mining and Reclamation Activities

Township 12 South; Range 6 East, SLBM
Section 24: Portions of NE/SW

Total acres within the affected area: 0.96 acres currently under reclamation. 0.36 acres are to be removed, with 0.60 acres remaining under reclamation after post-mining land use change.

The address of the applicant is:

Canyon Fuel Company, LLC
225 North 5th Street, Suite 900
Grand Junction, CO 81501

After filing, copies of this permit application will be available for inspection at the following location: Utah Division of Oil, Gas, and Mining, 1594 West North Temple, Suite 1210, Salt Lake City Utah, and the Division of Oil, Gas, and Mining website under the Coal Permit files.

Written comments or requests regarding this permit renewal 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, 1594 West North Temple, Suite 1210, Salt Lake City, Utah 84114-5801.

Published in the Sun Advocate July 11, 18, 25 and August 1, 2017

INTEGRATED

Div. of Oil, Gas & Mining
AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.
County of Carbon,)

I, Jenni Fasselin, 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 4 (Four) consecutive issues, and on the Utah legals.com website, the first publication was on the 9th day of February, 2016, and that the last publication of such notice was in the issue of such newspaper dated the 1st day of March 2016.

Jenni Fasselin – Publisher

Subscribed and sworn to before me this 1st day of March, 2016.

Linda Thayn

Notary Public My commission expires January 10, 2019 Residing at Price, Utah

Publication fee, $ 571.20
PART I. LEASE RIGHTS GRANTED

This lease, entered into by and between the UNITED STATES OF AMERICA, hereinafter called lessor, through the Bureau of Land Management (BLM), and (Name and Address)

Canyon Fuel Company, LLC
255 N. 5th Street, #900
Grand Junction, CO 81501

hereinafter called lessee, is effective (date) 7/1/2015 for a period of 20 years, and for so long as oil and gas are produced in commercial quantities from the leased lands, subject to readjustment of lease terms at the end of the 20th lease year and each 10-year period thereafter.

Sec. 1 This lease is issued pursuant and subject to the conditions of

The Mineral Leasing Act of 1920, as amended, 30 U.S.C. 181 - 287; or


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 terms and provisions herein.

Sec. 2 Lessor, in consideration of any bonuses, 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 following described lands:

T. 13 S., R. 6 E., SLM, Sanpete County, Utah
sec. 21, lots 1-4, E1/26; sec. 28, lots 1-8, S1/4NW1/4, SW1/4; sec. 33, E1/2, E1/2, NW1/4, NW1/4, SW1/4, SW1/4;

T. 14 S., R. 6 E., SLM, Sanpete County, Utah
sec. 4, lots 1-4, S1/4NW1/4, S1/2; (all); sec. 5, lots 1-4, S1/4NW1/4, S1/2; (all).

containing 2,692.16 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 must 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 will not be credited against either production or advance royalties for any year.

Sec. 2 (a) PRODUCTION ROYALTIES - The royalty will be 8 percent of the value of the coal as set forth in the regulations. Royalties are due to the 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 BLM 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 will 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 must maintain in the proper office a lease bond in the amount of $9,000.00. The BLM may require an increase in this amount when additional coverage is determined appropriate.

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 will terminate the lease. Lessee must submit an operation and reclamation plan for the BLM's approval pursuant to 30 U.S.C. 207(c) prior to conducting any development or mining operations or taking any other action on a leasehold which might cause a significant disturbance of the environment.

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.

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 will 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 will then be subject to the lease terms which would have been applied if the lease had not been included in an LMU.

(Continued on page 2)
Sec 6. DOCUMENTS, EVIDENCE AND INSPECTION - At such times and in such form as lessor may prescribe, lessee must 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 must keep open at all reasonable times for the inspection by BLM 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 must 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 will 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 must comply at its own expense with all reasonable orders of the Secretary, respecting diligent operations, prevention of waste, and protection of other resources.

Lessee must 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 must be submitted to the BLM.

Lessee must 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 must take measures deemed necessary by lessor to accomplish the intent of this lease term. Such measures may include, but are 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 must 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 must: 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 should 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 should 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 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 will 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 must 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 must remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by the BLM. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, will become the property of the lessor, but lessee may either remove any or all such property or 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 will waive the requirement for removal, provided the third parties do not object to such waiver. Lessee must, 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 subsidence 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 will be subject to cancellation by the lessor only by judicial proceedings. This provision will 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 will 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 will extend to and be binding upon, and every benefit hereof will inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec 13. INDEMNIFICATION - Lessee must 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 Clean Water Act (33 U.S.C. 1252 et seq.), the Clean Air Act (42 U.S.C. 4274 et seq.), and to all other applicable laws pertaining to exploration, production, reclamation, and reclamation, including the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.).

FEB 13 2017

Div. of Oil, Gas & Mining
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.

(Continued on page 4)
NOTICES

The Privacy Act and 43 CFR 2.48(d) require that you be furnished with the following information in connection with the information requested by this form.


PRINCIPAL PURPOSE: The BLM will use the information you provide to process your application and determine if you are eligible to hold a coal lease on public lands.

ROUTINE USES: The BLM will only disclose this information in accordance with the provisions at 43 CFR 2.56(b) and (c).

EFFECT OF NOT PROVIDING INFORMATION: Submission of the requested information is necessary to obtain or retain a benefit. Failure to submit all of the requested information or to complete this form may result in delay or preclude the BLM's acceptance of your application for a coal lease.

The Paperwork Reduction Act requires us to inform you that:

The BLM collects this information to evaluate and authorize proposed exploration and mining operations on public lands. Submission of the requested information is necessary to obtain or retain a benefit.

You do not have to respond to this or any other Federal agency-sponsored information collection unless it displays a currently valid OMB control number.

BURDEN HOURS STATEMENT: The public reporting burden for this form is estimated to average 25 hours per response when the form is used under the authority of 43 subpart 3422 (Lease Sales), or 800 hours per response when the form is used under the authority of 43 subpart 3430 (Preference Right Leases). The estimated burdens include the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. You may submit comments regarding the burden estimate or any other aspect of this form to: U.S. Department of the Interior, Bureau of Land Management (1004-0073), Bureau Information Collection Clearance Officer (WO-630), 1849 C Street, Mail Stop 40 I LS, Washington, DC 20240.
SPECIAL STIPULATIONS FOR COAL LEASE UTU-77114

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 appropriate authorities. 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. 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.

5. 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.

6. The limited area available for mine facilities at the coal outcrop, steep topography, adverse weather, and physical limitations on the size and design of the access road, are factors which will determine the ultimate size of the surface area utilized for the mine. A site specific environmental analysis will be prepared for each new mine site development and for major modifications to existing developments to examine alternatives and mitigate conflicts.

7. Consideration will be given to site selection to reduce adverse visual impacts. Where alternative sites are available, and each alternative is technically feasible, the alternative involving the least damage to the scenery and other resources shall be selected. Permanent structures and facilities will be designed,
and screening techniques employed, to reduce visual impacts, and where possible achieve a final landscape compatible with the natural surroundings. The creation of unusual, objectionable, or unnatural land forms and vegetative landscape features will be avoided.

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.

9. The lessee shall provide for the suppression and control of fugitive dust on haul roads and at coal handling and storage facilities. On Forest Development Roads (FDR), lessees may perform their share of road maintenance by a commensurate share agreement if a significant degree of traffic is generated that is not related to their activities.

10. Except at locations specifically approved by the Authorized Officer, with the concurrence of the Forest Service, 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.

Limited subsidence zones consisting of perennial streams in the lease, Boulger Reservoir/Dam, SR-264, and Flat Canyon Campground are specifically approved for subsidence resulting from a single-seam of full-extraction mining. The limited-subsidence zones, where subsidence from a second overlapping seam of full-extraction mining is not approved, will be determined based on the typical angle-of-draw for past operations in the Skyline Mine Permit Area (23 degrees). "Angle-of-draw" is defined in the FEIS (pg. 4-7). The angle-of-draw will be applied to perennial stream buffer zones that include the natural floodplain and alluvium in perennial drainages, bounded by the first major slope break in the associated canyons. For structures, it will be applied to an area delineated by a 50-foot radius or distance from the major structures that could sustain damage.

The Authorized Officer (AO) can approve full extraction of multiple seams in limited subsidence zones, if the Lessee can provide information, based on actual subsidence data from the tract, that impacts can be tolerated or mitigated. The Forest Service will have to consent to the decision and issue a new record of decision.

11. 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.

12. If removal of timber is required for clearing of construction sites, etc., such timber shall be removed in accordance with the regulations of the surface management agency.

13. The coal contained within, and authorized for mining under this lease, shall be extracted only by underground mining methods.

14. Existing Forest Service owned or permitted surface improvements will need to be protected, restored, or replaced to provide for the continuance of current land uses.

15. In order to protect big game wintering areas, elk calving and deer fawning areas, sagegrouse strutting areas, and other critical wildlife habitat and/or activities, specific surface uses outside the mine...
development area may be curtailed during specific periods of the year.

16. 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 acceptable post mining land use.

17. 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.

18. The Lessee, at his expense, will be responsible to replace any surface and/or developed ground water sources identified for protection, that may be lost or adversely affected by mining operations, with water from an alternate source in sufficient quantity and quality to maintain existing riparian habitat, fishery habitat, livestock and wildlife use, or other land uses (authorized by 36 CFR 251).

19. The Licensee/Permittee/Lessee must comply with all the rules and regulations of the Secretary of Agriculture set forth at Title 36, Chapter II, of the Code of Federal Regulations governing the use and management of the National Forest System (NFS) when not inconsistent with the rights granted by the Secretary of the Interior in the license/permit/lease. The Secretary of Agriculture's rules and regulations must be complied with for (1) all use and occupancy of the NFS prior to approval of a permit/operation plan by the Secretary of Interior, (2) uses of all existing improvements, such as Forest Development Roads, within and outside the area licensed, permitted or leased by the Secretary of Interior, and (3) use and occupancy of the NFS not authorized by a permit/operation plan approved by the Secretary of the Interior.

All matters related to this stipulation are to be addressed to:

Forest Supervisor
Manti-LaSal National Forest
599 West Price River Drive
Price, Utah 84501

Telephone No.: 435-637-2817

who is the authorized representative of the Secretary of Agriculture.

20. 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 unrecovered 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 unmined (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 unmined recoverable coal reserves shall become due and payable upon determination by the AO that the coal reserves have been rendered unminable 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 ONRR 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.

21. 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.

22. 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.

23. 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 expected closure 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 40CFR 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.

24. All shafts or portals will be back filled after mining has ceased or abandoned and all designs will be approved by the AO.

25. Prior to development of the panels that would cause subsidence of the Boulger Reservoir, the Lessee shall submit a plan for approval of mining under the reservoir facilities to the Authorized Officer. This plan shall include, but not be limited to, type of mining, when and how the dam will be taken out of service while undermining and/or subjected to mining-induced acceleration of 0.1g and greater, and what mitigation measures will be taken to place the dam and reservoir back into full service. This plan shall be submitted to and be approved by the AO of the BLM, with consent of the surface management agency, and any requirements by the regulatory authority.

26. Prior to development of the panels that would cause subsidence of the Flat Canyon Campground, the Lessee shall submit a plan for approval to conduct mining under the campground. This plan shall include but not be limited to type of mining, when and how the Flat Canyon Campground will be taken out of service and what mitigation measures will be taken to place the Flat Canyon Campground back into full service. The plan shall be submitted to and be approved by the AO of the BLM, with the consent of the surface management agency, in addition to any requirements required by the regulatory authority.

27. The Lessee shall submit a plan for monitoring the gradient of the perennial streams within the lease and the associated effects to aquatic ecosystems and wetlands. The plans shall also include measures for mitigating detrimental effects discovered during monitoring. The plans shall be submitted to and be approved by the AO of the BLM, with consent of the surface management agency in addition to any requirements by the regulatory authority, prior to mining.

29. The Lessee shall immediately notify the Authorized Officer of any seismic events that trigger a Richter scale reading in excess of 3.0.
UNDERGROUND COAL LEASE  
(Skyline Tract) 

THIS UNDERGROUND COAL LEASE (this "Lease") is made and entered into this 5th day of June, 2015 (the "Effective Date") by and between PACIFICORP, an Oregon corporation, having a mailing address of 1407 W. North Temple, Salt Lake City, Utah 84116 ("Lessor"), and CANYON FUEL COMPANY, LLC, a Delaware limited liability company, having a mailing address of 6100 Dutchmans Lane, 9th Floor, Louisville, Kentucky 40205 ("Lessee"). Lessor and Lessee may be collectively referred to herein as the "Parties" or individually as a "Party."

RECITALS

WHEREAS, Lessor is the sole owner of the coal estate in and underlying that certain tract of land located in Emery County, State of Utah, as more particularly described in Exhibit A and as generally depicted on Exhibit B attached hereto (the "Leased Premises").

WHEREAS, Lessee now desires to acquire a lease of the Coal (as hereinafter defined in Section 2) within the Leased Premises and to have the exclusive right to develop and mine such Coal.

WHEREAS, Lessor is willing to grant to Lessee a lease to mine and remove the Coal within the Leased Premises upon the terms and conditions set forth in this Lease.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration, receipt and sufficiency of which is hereby acknowledged by the Parties, Lessor and Lessee agree as follows:

1. Grant of Lease. Lessor does hereby grant, demise, lease and let exclusively unto the Lessee, and the Lessee leases and takes from the Lessor, for the purposes herein specified, all Coal situated in, on or under Leased Premises, including all present interest of Lessor in the coal estate and any after-acquired, reversionary, contingent or future interest of Lessor in the coal estate. For the purposes of determining the amount of rental payments hereunder, the Leased Premises shall be treated as comprising 287.56 acres, whether it be more or less.

2. Rights of Lessee. The coal estate in the Leased Premises is hereby leased unto Lessee subject to the terms and conditions herein set forth for the purpose of prospecting, exploring, developing, testing, mining and operating for and producing by underground mining methods, whether now or hereafter existing or known, all Coal lying and situated in or under the Leased Premises, with the right to store, save, remove, transport, own and market, treat, process or otherwise utilize said Coal, together with all of the mining rights and privileges appurtenant to
the said Coal and incident to the ownership thereof, provided, however, no mining activity of any kind may occur under Electric Lake or the minimum buffer zone described below, as generally depicted on Exhibit B and Exhibit C hereto. The buffer zone shall, at a minimum, be defined as that area determined by a 22 degree draw angle to the bottom of the Coal seam being mined plus 25 ft. (measured horizontally) from the high water mark of Electric Lake, which is defined as an elevation of 8,575 feet above mean sea level. However, prior to mining, Lessee must conduct a geotechnical evaluation to determine the adequate buffer zone taking all matters into consideration to protect the integrity of Electric Lake. By way of enlargement, and not by way of restriction, the following rights and privileges are also hereby granted to Lessee to the extent Lessor has the right so to do:

a. Subject to the limitations regarding Surface Ownership as described in Section 13, and the Mitigation of Impacts as required by Section 14, the exclusive right and privilege to (i) prospect upon and under the surface overlying the portion of the Leased Premises authorized for mining for Coal; (ii) to explore, survey, conduct soil and water sampling and other environmental studies; and (iii) to mine, drill, bore, core and test and analyze by any other reasonable means; provided, however, that such operations shall not include stripping of the surface or surface mining; and provided further, Lessee shall have no right to make use of the surface underlying Electric Lake or the area of the surface contained within the subsidence buffer zone described above;

b. The exclusive right and privilege to enter upon and under, and the free and uninterrupted right-of-way into, upon, over, across and through, the Leased Premises, at such points and in such manner as may be necessary or convenient for the purpose of mining, removing, processing and marketing all of the Coal hereby leased;

c. The right-of-way, right of entry, access, ingress and egress and otherwise acquire by Lessee and located on lands comprising any portion of the General Mining Area (as hereinafter defined in Section 4);

d. Subject to the limitations contained in this Lease, the right to use so much of the surface as may be necessary or convenient in conjunction with Lessee’s operations hereunder, so long as Lessee does not unreasonably interfere with the use of the surface by the surface owner;

e. The right to include the Leased Premises or any portion thereof within the General Mining Area in any plan of unitization for Coal or a federal logical mining unit pursuant to any such unitization, and so that operations or mining in any portion of the Leased Premises shall be deemed operations or mining on the logical mining unit for federal diligent development and continued operations requirements; and

f. The right to subside, collapse, sink, lower, and alter the surface, subsurface, and superadjacent strata of the portion of the Leased Premises authorized for mining as a result of Lessee’s permitted operations hereunder.
All the rights of the Lessee under this Lease shall continue to exist during the hereinafter specified term.

For the purposes of this Lease, the term “Coal” is used in its commonly accepted meaning and shall include any seam, vein, bed, strata or deposit, from the lowest grade of lignite through the highest grade of anthracite, both inclusive, and all constituent products thereof mixed with or encountered when mining Coal in whatever physical state or form produced, and all impurities and other minerals of every nature and type of substance associated or commingled therewith. Coal shall include methane or Coal bed methane and other naturally-occurring gases contained within the seam being mined, herein referred to as “Coal Seam Gas.” Lessee shall have the right to vent any gases or Coal Seam Gas encountered in Lessee’s mining operations as a safety measure without liability or accountability of any nature whatsoever to Lessor, but Lessee shall not have the right to commercially exploit any such gases or Coal Seam Gases. The rights hereby granted to Lessee shall not include mining or extraction rights with respect to oils, gases or other minerals other than Coal as defined herein, which rights are reserved exclusively unto the Lessor. The leasing, exploration for, or development of other minerals or substances other than Coal shall not unreasonably interfere with the Coal mining operations of the Lessee during the Term of this Lease.

3. Term. Subject to the other provisions herein, this Lease shall remain in effect until December 31, 2029 (the “Term”). At the end of the Term, the Parties shall bargain in good faith should Lessee seek a renewal of the Lease, but any such renewal shall be subject to a readjustment of terms to protect the best interests of the Lessor.

4. General Mining Area. For purposes of this Lease, the term “General Mining Area” shall cover and include the Leased Premises together with the following lands located in Emery and Sanpete Counties, State of Utah (hereinafter defined):

Township 13 South, Range 6 East, SLB&M
Sections: 13, 14, 15, 21 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34 and 35

Township 14 South, Range 6 East, SLB&M
Sections: 2, 3, 4, 5 and 6

5. Rental. Within one (1) year from the Effective Date hereof, and on or before each anniversary date thereafter during the Term and any continuation of the Term, this Lease shall be kept in full force and effect for the next ensuing year by the Lessee’s payment to Lessor of a rental in the amount of One Thousand Dollars ($1,000.00).

Subject to the right of Lessee to terminate this Lease in whole or in part, rental payments as set forth above shall be made annually whether in the Term or any continuation of the Term, regardless of whether or not there is production of Coal from the Leased Premises or the General Mining Area. Temporary suspension of actual mining and production of Coal by Lessee during
the Term shall be without prejudice to its right to resume operations as long as rental payments are made as herein provided.

Rental payments made pursuant to this Lease shall not be recouped, credited, or set off against production royalty payable under this Lease.

6. **Lease Bonus Payment.** To compensate Lessor for the fair market value of the interest herein leased even though the amount of recoverable tons of Coal potentially minable under this Lease is uncertain, Lessee shall pay to Lessor a lease bonus payment at the time Coal is mined, removed and sold, which payment shall be in addition to the production royalty hereinafter provided. The lease bonus payment shall be in the amount of twenty-five cents (\$0.25) per ton (2,000 pounds) of Coal actually mined, removed and sold from the Leased Premises and shall be payable at the same time, on the same tonnage, and in the same manner as the Production Royalty.

7. **Production Royalty.** Lessee shall pay to Lessor as a production royalty for all Coal actually mined, removed and sold from the Leased Premises at the sum of Eight Percent (8%) of the Gross Realization (as hereinafter defined in Section 8).

For purposes of determining the Coal produced from the Leased Premises, Lessee shall complete volumetric surveys on a monthly basis as of the last day of each calendar month of all active mining areas contributing to the commingled Coal produced from the General Mining Area and any other areas as to which Coal is commingled prior to the first certified weighing of the Coal being produced by Lessee.

A preliminary calculation of the Coal produced from the various separately owned properties shall be made by multiplying the total cubic feet of mined area during the month by Eighty (80) pounds per cubic foot and dividing by 2,000 pounds per ton to determine the number of tons of Coal produced from the Leased Premises and all other premises contributing to the commingled Coal. Based upon the preliminary calculation, the portion of the Coal produced during the month from the Leased Premises and each of the other properties shall be calculated as a percentage of total production stated to three places past the decimal (resulting in five figures). The percentage so determined shall then be used to determine the tonnage actually produced from each individual lease or area based upon certified weights. If Coal is stockpiled or otherwise delayed in any way prior to the certified weighing, Lessee shall make all calculation necessary to accurately determine the amount of Coal produced from the Leased Premises and any such formulas and calculation methods shall be subject to the approval of the Lessor before implementation. It is the expressed intent of the Parties that all weights be determined and allocated among the various properties as accurately as possible under the circumstances of Lessee's operations.

Production royalty due and payable for Coal actually mined, removed, and sold from the Leased Premises during any calendar month shall be paid on or before the last day of the next month.
succeeding calendar month, and all production royalty due and unpaid for thirty (30) days shall be a lien on Lessee's equipment on the Leased Premises. In the event Lessee fails to pay any rent or royalty when due, said late payment shall be subject to the payment of interest from the due date to the date of payment at the rate of one and one-half percent (1 1/2%) per month compounded monthly. Any amount unpaid for more than thirty (30) days after its due date shall be deemed a breach of this Lease, and Lessor shall be free to pursue any remedy available in law or at equity.

8. **Gross Realization.** "Gross Realization" shall have the same meaning as the term "Gross Proceeds" as defined from time to time in 30 C.F.R., Part 1206, Subpart F with respect to Federal Coal leases within the General Mining Area. The value and time of payment for royalty purposes with respect to Coal from the Leased Premises shall be determined under the provisions of such subpart applicable to federal ad valorem Coal leases, including amendments thereto and administrative and judicial interpretation thereof which shall include, without limitation, any deductions, adjustments or allowances now existing or hereafter permitted in calculating royalty due under federal Coal leases.

9. **Records and Accounts.** Lessee shall keep a true and correct record of all Coal mined, removed, and sold from the Leased Premises, the General Mining Area and all other areas used in the calculation of royalties. Lessee shall maintain accurate and complete accounting records in support of all royalties paid with respect to production from the Leased Premises in accordance with the standard for federal royalties as set out in 30 C.F.R., Part 1206, Subpart F and generally recognized accounting principles and practices.

On or before the last day of each calendar month following the month during which Lessee shall commence actual mining operations on the Leased Premises and for the remaining Term, Lessee shall furnish Lessor, at the address shown in Section 28(d), a true and correct statement showing the tons of Coal actually mined, removed, and sold during the preceding calendar month from the Leased Premises, the General Mining Area, and all other areas whose production is commingled with Coal produced from the Leased Premises prior to the first certified weighing of Coal being produced by Lessee. Lessor, or its audit representatives, shall have the right at any reasonable time or times to examine, audit, and reproduce the records, vouchers and their source documents which serve as the basis for royalty payments.

Lessee shall assist Lessor with preparing necessary audit material and will allow Lessor to review any work papers prepared by independent auditors as allowed by professional standards.

Audit findings by Lessor or Lessor's representative will be considered final and conclusive by Lessee for the period audited. Any overpayments shall be returned to Lessee or under payments paid to Lessor within thirty (30) days from the date of notice of over/under payment.

Lessee shall also provide to Lessor, without cost, no less frequently than quarterly, copies of mine maps and other records pertaining to mining. Such maps and records shall be a part of the
same form and format as provided to the Bureau of Land Management with respect to federal Coal leases in the General Mining Area. All such maps and records of Lessee kept in the ordinary course of its business, and all payments made in accordance therewith, shall be presumed to be accurate after a period of three (3) years if Lessor has made no objection to the content of such maps and records by that date.

10. Covenants, Conditions and Obligations related to Water. In its operations on the Leased Premises, Lessee shall strictly adhere to the following covenants, conditions and obligations relating to water:

a. At any time mining has approached within 500 feet of Lessee’s projection as to the expected location of the Connelville Fault, Lessee will probe by horizontal drilling at least 100 feet ahead of mine development workings. If the horizontal drilling identifies any fault or aquifer containing sufficient water to cause a disruption of normal mining procedures, then Lessee agrees that it will not allow development workings to approach closer than 100 feet from said fault or aquifer. For the purposes of this Lease, the reference to the Connelville Fault shall mean and have reference to the fault and/or fault zone depicted on Exhibit C running generally in a northeast/southwest direction and located in the vicinity of the Northeast Corner of Section 35, Township 13 South, Range 6 East, SLB&M.

b. Prior to the conduct of any mining operations on the Leased Premises, Lessee shall establish a water monitoring plan which shall provide for the periodic measurement and chemical analysis of any sustained in-mine flows which are greater than those encountered under normal mining conditions. Such monitoring plan shall include, but not be limited to, documentation of all encountered sustained water sources, chemical analysis of abnormally high flows encountered, and the monitoring of surface sources within the Lease area included within the cumulative hydrologic impact assessment for the mine permit to document the relationships, if any, between underground and surface water. The plan shall be submitted in writing to Lessor prior to its implementation in order for Lessor to verify its compliance with this requirement. Lessor shall not require any monitoring or defined analysis work which imposes water quality testing requirements in excess of those contained in Lessee’s approved mining permit.

c. In the event any surface water resource (i.e., reservoir, creek, spring, etc.), including but not limited to Electric Lake, or state-appropriated water is affected by contamination, diminution, or interruption resulting from Lessee’s underground Coal mining operations, Lessee shall promptly replace such water in accordance with a replacement plan which shall be submitted in writing to Lessor. Replacement, in the event of contamination, may include, but shall not be limited to, remediation. Lessee shall not implement a replacement plan that affects water or water rights owned by Lessor until Lessor has received a copy of the plan. A water replacement plan shall be submitted to Lessor within thirty (30) days of the first indication that a surface water resource or other state-appropriated water has been affected by Lessee’s underground Coal mining operations. Implementation of the plan shall occur no later than thirty (30) days following submission of the plan to Lessor. Potential methods for replacement might...
include pumping of mine water to the surface, replacement water from other sources, purchase of other shares and/or water rights, payment of damages, and other feasible alternatives.

d. Lessee shall indemnify Lessor as hereinafter provided in Section 12 with respect to all claims and demands related to or arising out of the impact of underground Coal mining operations on water resources and state-appropriated water, expressly including any damages suffered by Lessor with regards to Electric Lake.

11. Bond. Prior to the commencement of any activity in, on or under the Leased Premises, other than casual use, Lessee shall deliver to Lessor a performance bond in a form, and with a surety acceptable to Lessor, and for the use and benefit of the Lessor in the amount of Two Hundred Fifty Thousand Dollars ($250,000.00), acknowledging that (i) a bond in the amount of $250,000 was previously provided by Lessee to Lessor under a coal lease that expired in 2009, (ii) that such bond is still in the possession of Lessor, and (iii) that such bond shall satisfy Lessee’s obligations under this Section 11. The bond shall ensure payment of rentals and royalties and ensure compliance with all other terms and conditions of this Lease and applicable laws and regulations. Upon termination of this Lease, the bond may be terminated upon Lessee’s receipt of Lessor’s written permission, which permission shall be given upon Lessee’s demonstration to Lessor that Lessee is in full compliance with the terms and conditions of this Lease.

12. Indemnification. Lessee will hold harmless and fully indemnify Lessor against all claims or demands of any kind or nature made upon Lessor or against Lessor’s interest in the Leased Premises for, or on account of, any debt or expense contracted or incurred by Lessee in conducting its activities, as well as against any and all acts, transactions and omissions of Lessee, its employees, agents, contractors, subcontractors, lessees, partners or coventurers, licensees and suppliers in conducting such activities, and Lessee will defend and save Lessor harmless and fully indemnify Lessor as to liability or asserted liability, for, or on account of, injury to, or death of, any person or damage to any property sustained during the Term, alleged to have resulted from and/or resulting from any such act or omission of Lessee, its employees, agents, contractors, subcontractors, lessees, partners, or coventurers, licensees and suppliers, or any unsafe condition of the Leased Premises created by Lessee or Lessee’s operations. In addition, Lessee will waive, hold harmless and fully indemnify Lessor against any and all penalties or charges imposed upon Lessor by federal, state, or local authorities on account of Lessee’s failure to comply with all laws, rules, regulations or orders of such authorities.

Further, Lessee agrees to hold Lessor harmless from all claims of environmental damages and demands arising directly out of Lessee’s operations on or affecting the Leased Premises asserted by third parties, including, but not limited to, claims by individuals or groups, whether public or private, by federal, state, or local agencies and/or by any other party bringing said action against Lessor, unless Lessor, or any person or instrumentality acting in Lessor’s behalf shall have been a contributing cause to the event giving rise to such claim or demand. Lessor agrees to cooperate with Lessee in the conduct of any suits arising from claims and demands under this subsection.
13. **Surface Ownership.** Lessor does not claim ownership of the surface estate with respect to the entirety of the Leased Premises. Lessee shall be responsible to determine the ownership of the surface and obtain any and all such additional lease(s) or lease rights as may be necessary to conduct Lessee’s operations on the Leased Premises. It is understood that this Lease is subject to surface patents, deeds, and purchase contracts and Lessee shall assume responsibility for, and indemnify and hold harmless Lessor against, all claims arising from damages to the surface caused by Lessee’s operations.

14. **Mitigation of Impacts.** Lessee shall mitigate any impacts to the surface caused by Lessee’s activities on the surface of the Leased Premises (i.e., prospecting, exploring, drilling, etc.) and Lessee’s underground Coal mining operation, (including, but not limited to, mining induced subsidence), consistent with Lessee’s approved mining permit and Lessee’s surface use agreements. Mitigation measures and reclamation activities shall adhere to policies and practices that are no less stringent than those imposed by the U.S. Forest Service with respect to Forest Service lands in the General Mining Area.

15. **Seismicity.** Due to the proximity of Electric Lake and its associated dam, Lessor must maintain the ability to respond to the impacts of mining related seismicity on the water storage facilities. The Parties both acknowledge that the continued existence of the water storage facilities must take priority over the coal mining operations provided for in this Lease. Lessee and Lessor shall cooperate in the exchange of information and in the assessment and evaluation of impacts to the water storage facilities in any way related to mining activities.

To provide information to the Parties regarding possible impacts of mining on the water storage facilities, Lessee shall, at its sole cost and expense, institute a seismic monitoring program (“Seismic Plan”) prior to undertaking any underground mining activity on the Leased Premises. The Seismic Plan will include, at a minimum, engaging an independent consultant with mining expertise (“Consultant”) reasonably acceptable to both Parties, installing a seismic recording device at the dam and monitoring and interpreting pertinent information from other available seismic recording stations. Lessee will obtain Lessor’s permission prior to entry upon the lands of Lessor, other than the Leased Premises, and Lessee shall be solely responsible for its actions in carrying out the Seismic Plan. Lessee shall provide regular reports to Lessor summarizing the information collected from the Seismic Plan and the parties shall, at the request of either Party, consult from time to time regarding the information collected.

16. **Lessor Termination.** As part of the consideration for the issuance of this Lease, if, at any time during the Term, Lessor reasonably believes, based upon credible evidence produced by the Seismic Plan or otherwise, that the continued conduct of mining operations under the Lease currently impacts, or may reasonably result in an impact to, (i) the integrity of the dam at Electric Lake or (ii) the ability of the water storage facilities at Electric Lake to continue to store water at the present capacity, Lessor may, by written notice to Lessee and at Lessor’s sole discretion, order the immediate cessation of mining activities. In such event, the Parties and the Consultant shall hold a joint meeting within ten (10) days after the notice to cease mining to
review the evidence relied upon by Lessor. At the meeting the Lessor shall determine whether mining operations can be revised to protect adequately the water storage facilities. Thereafter Lessor may at its election give Lessee written notice to terminate the Lease, provided, however, that prior to termination of the Lease, and while no operations are being conducted on the Lease, Lessee shall have the right, at its sole cost and expense, to engage other experts to review the evidence to determine what actions are appropriate to protect the water storage facilities. Lessee shall make its presentation of the findings and conclusions to Lessor within ninety (90) days from the date of the joint meeting. Within ten (10) days after Lessee’s presentation, Lessor shall notify Lessee in writing of its decision to preserve the Lease subject to additional operating restrictions or to terminate all or a portion of the Lease. In the event of such cessation and/or termination, Lessee shall have no recourse against Lessor whether for monetary damages or otherwise.

17. Default. If Lessee fails to comply with the provisions of this Lease and if Lessee does not initiate and diligently pursue steps to correct the default within thirty (30) days after written notice has been given to it by Lessor specifying with particularity the nature of the default, then upon the expiration of the thirty (30) day period, all rights, liabilities and obligations of Lessee under this Lease shall terminate, except that Lessee shall have a reasonable time in which to remove all of Lessee’s machinery, equipment and other property from any part of the Leased Premises. Any default claims with respect to the payment of money may be cured by the deposit in escrow of the amount in controversy (not including claimed consequential, special, exemplary, or punitive damages) and giving of notice of the deposit to Lessor, the amount to remain in escrow until the controversy is resolved by decision of a court or arbitrators or otherwise. If Lessee, by notice to Lessor disputes the existence of a default, then this Lease shall not terminate unless Lessee does not initiate and diligently pursue steps to correct the default within thirty (30) days after the existence of the default has been determined by decision of a court or arbitrators or otherwise. The doing of any acts by Lessee reasonably sufficient to cure all or any of the alleged breaches or defaults shall not be deemed an admission or presumption that Lessee has failed to perform any or all of its obligations hereunder.

18. Surrender. Lessee shall have the unrestricted right and option to terminate this Lease as to the entirety of the Leased Premises, or any portion or parcel thereof, at any time or times and for any purpose upon giving written notice of such release and termination to Lessor and recording such notice in the office of the Recorder of Emery County, Utah. In the event of such release and termination by Lessee, this Lease shall cease immediately as to all lands described in the notice of release and termination. All obligations of the Lessee that have accrued under this Lease as of the date of termination shall survive and be the continuing obligation of Lessee until otherwise satisfied.

At the termination of this Lease, either at the end of the Term or prior thereto by termination, cancellation or surrender, Lessee shall have a reasonable time in which to remove all of Lessee’s machinery, equipment and other property from any part of the Leased Premises. Prior to abandonment and/or the scaling off of a mined area, Lessee may, with Lessor’s prior written consent, which shall not be unreasonably withheld, elect to abandon machinery or
equipment in place within the Leased Premises if such abandonment does not (i) violate any applicable federal or state statute, regulation or approved mining plan relating to the Leased Premises or (ii) result in any additional liability to Lessor. Any on-lease disposal of non-coal waste must comply with the laws and regulations governing such disposal.

19. **Depository Bank, Change of Ownership.** All payments under this Lease may be paid or tendered directly to Lessor’s credit as follows:

PACIFICORP
JPMorgan
1 Chase Manhattan Plaza, Floor 07
New York, NY 10005-1401
ABA 021000021
Checking Account 5531896

which bank, and its successors, are hereby made agents of Lessor to receive all payments herein provided for. Lessor may amend the bank account instructions in writing signed by the Treasurer and Assistant Treasurer of Lessor and delivered to the Lessee. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail to accept a payment, Lessee shall not be held in default for failure to make or tender same until thirty (30) days after Lessor shall deliver to Lessee a proper instrument naming another bank or depository as agent to receive such payments or tenders.

All payments or tenders must be made by wire transfer. Payments shall be deemed proper payment or tender as herein provided upon receipt by Lessor in its account with the depository bank.

No change or division in ownership of the Leased Premises or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No such change or division in the ownership of the Leased Premises or royalties shall be deemed notice to or binding upon Lessee for any purpose, despite actual or constructive notice by Lessee, until forty-five (45) days after the person acquiring any interest has delivered to Lessee the original instrument or instruments, or certified or true copies thereof, evidencing such change, transfer or division of ownership; provided that Lessee may at its election, recognize any such change or division prior to the expiration of said forty-five (45) day period of time and make payment to the new owners.

20. **Lesser Interest.** If Lessor owns less interest in the Coal in the Leased Premises than the entire and undivided fee simple estate therein, then whether or not such interest is referred to or described herein, production royalties, rentals and other payments herein provided for shall be paid to Lessor only in the proportion which Lessor’s interest bears to the whole and undivided fee simple estate in the Coal in the Leased Premises.
21. **Damages.** In addition to the obligation to conduct reclamation activities as specified in Section 14, and not in lieu thereof, Lessee agrees to pay to Lessor for each exploratory test hole location on the portion of the Leased Premises as to which Lessor is the owner of the surface estate as full compensation and satisfaction for any damage to crops, grazing pastures, grass or other of Lessor's surface uses that may be affected thereby, the sum of Two Thousand Five Hundred Dollars ($2,500.00).

22. **Compliance with Law.** Lessee agrees that it will conduct all operations hereunder in a good and workmanlike manner and in full compliance with all applicable local, state and federal laws, rules, regulations and orders, including, but not limited to, those pertaining to mine safety, zoning, environmental protection and land reclamation. Lease stipulations imposed upon Lessee pursuant to federal Coal leases within the General Mining Area shall be deemed applicable to the Leased Premises.

23. **Hazardous, Toxic or Harmful Substances.** The Lessee shall not keep on or about the Leased Premises, any substances now or hereafter designated as, or containing components now or hereafter designated as, hazardous, toxic, dangerous or harmful (and/or which are subject to regulation as hazardous, toxic, dangerous or harmful) by federal, state or local law, regulation, statute or ordinance (hereinafter collectively referred to as "Hazardous Substances") unless such are necessary to carry out the Lessee's permitted uses of the Leased Premises and unless the Lessee fully complies with all federal, state and local laws, regulations, statutes or ordinances now in existence or as subsequently enacted or amended.

Lessee shall notify Lessor promptly (which shall in no event exceed twenty-four (24) hours after Lessee becomes aware) of the following:

a. all spills or releases of any Hazardous Substance in, on or adjacent to the Leased Premises reportable pursuant to applicable state and federal agency as required by applicable law;

b. all material failures to comply with any federal, state or local law, regulation or ordinance as now enacted or as subsequently enacted or amended;

c. all inspections of the Leased Premises by or any correspondence, orders, citations or notifications from any regulatory entity concerning Hazardous Substances affecting the Leased Premises excluding notices, reports or permits issued by regulatory entity in the normal course of business and not otherwise relating to an enforcement action; and

d. 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 and all correspondence, pleadings and/or reports received by or required of the Lessee or issued or written by the Lessee or on the Lessee's behalf with respect to the use, presence, transportation or generation of Hazardous Substances in, on, about or adjacent to the Leased Premises.
Further, Lessee shall be fully and completely liable to the Lessor and shall indemnify, defend and save harmless the Lessor, and its shareholders, affiliates, directors, officers and employees and agents with respect to any and all claims, damages, costs, fees (including attorneys’ fees and costs), penalties (civil and criminal) and cleanup costs assessed against or imposed as a result of Lessee’s use, disposal, transportation, generation and/or sale of Hazardous Substances or that of Lessee’s employees, agents, assigns, sublessees, contractors, subcontractors, licensees or invitees and for any breach of this Section 23.

24. Liability Insurance. Without limiting any liabilities or any other obligations of the Lessee on and after the date of this Lease, Lessee shall have and maintain Public Liability and Property Damage Insurance with companies which are rated by Best Insurance Rating at A or above and with at least the following liability limits:

   a. Commercial General Liability (occurrence form), covering bodily injury and property damage liability, including contractual, XCU, products and completed operations with minimum limits of $5,000,000 per occurrence, $5,000,000 Aggregate Products - Completed Operations and $5,000,000 General Aggregate.

   b. Comprehensive Automobile Liability covering owned, hired and non-owned vehicles with minimum limits of $1,000,000 per person and $2,000,000 per accident for bodily injury and $500,000 property damage or combined single limit of at least $2,000,000;

   c. Workers’ Compensation or Industrial Accident insurance as required by law, including Employer’s or Stop-gap Liability with a minimum limit of $500,000 per accident.

All such insurance policies shall be the primary insurance for Lessee and shall name Lessor and its affiliates, directors, officers, employees, and agents as additional insureds. Upon execution of this Lease, Lessee shall provide certificates evidencing the insurance described above and bearing endorsements requiring ten (10) days written notice to Lessor before change or cancellation.

Lessee acknowledges that it has the authority and hereby waives subrogation rights of its property insurance company for insured losses for which Lessee is liable under the terms of this Lease.

25. Taxes. The Lessee shall pay all validly assessed and levied property taxes on its improvements and property and shall pay all of the taxes, if any, validly assessed and levied against its right in the Coal covered by this Lease and its rights, if any, in the surface over the Leased Premises. Lessor shall pay all validly assessed and levied taxes on its interests in the Leased Premises including, but not limited to, those interests subject to central assessment by the State of Utah. In the event a federal, state, county or municipal or other governmental agency levies a license, severance, sales, use, production or other tax on the Coal hereunder, or on
Lessee’s rights to operate or produce or sell such Coal, then and in that event the Lessee shall pay that portion of such tax attributable to its rights in the Coal.

26. **Breach of Obligations.** Lessee shall be under no obligation, express or implied, to explore, develop, mine or rework the Leased Premises, for Coal or any other mineral or substance which may be covered hereby, it being expressly agreed that the good faith judgment of the Lessee in carrying out the purpose of this Lease shall be conclusive.

In addition to Lessor’s rights to terminate this Lease as set forth in Sections 16 and 17, in the event Lessor considers that Lessee has not complied with any express condition, obligation or covenant hereunder, Lessor shall notify Lessee in writing, noting specifically in what respects Lessee has breached or defaulted upon this Lease. Lessee shall then have thirty (30) days after receipt of such notice within which to cure or commence to cure all or any part of the breaches or defaults alleged by Lessor. The service of such notice shall be a condition precedent to the bringing of any action by Lessor on this Lease for such default, and no such action shall be brought with respect to such default until the lapse of thirty (30) days after service of such notice. The doing of any acts by Lessee reasonably sufficient to cure all or any of the alleged breaches or defaults shall not be deemed an admission or presumption that Lessee has failed to perform any or all of its obligations hereunder.

27. **Force Majeure.** When exploration, testing, mining, or other operations hereunder are delayed or interrupted by lack of water, labor or material, or by fire, storm, flood, war, rebellion, insurrection, riot, labor disputes or failure of carriers to transport or furnish facilities for transportation, or as a result of some order, requisition or necessity of any governmental authority or due to some zoning, environmental protection, or land reclamation requirement, or as a result of any cause whatsoever beyond the control and not a result of any negligence of the Lessee, the time and result of such delay or interruption shall not be counted against Lessee or cause a termination of this Lease; provided, however, the obligation to make rental and royalty payments shall not be suspended but instead shall be due and owing during such period and shall be paid as provided for above. Lessee shall provide Lessor with written notice within ten (10) days after both the occurrence and the cessation of any condition constituting such above described force majeure hereunder.

28. **Miscellaneous**

a. **Assignment/Subletting.** This Lease shall inure to the benefit of and bind the Parties and their respective permitted successors and assigns, provided, however that this Lease may not be assigned or otherwise transferred, directly or indirectly, by either Party without the written consent of the other Party (which consent shall not be unreasonably conditioned, withheld or delayed). A Party’s consent to the proposed assignment and determination of the proposed assignee’s ability to perform shall be based upon all facts material to the decision, including, but not limited to, the adequacy of the assignee’s financial condition and the assignee’s reputation and experience in the industry. If a transfer or assignment by a Party is consented by the other

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Party as provided in this section, the assignee shall assume in writing all of the obligations of the assigning Party under this Lease. Any assignment by a Party without the prior written consent of the other Party shall be void. Notwithstanding the foregoing, consent shall not be required for assignment or transfer by Lessee to an affiliate controlled by Lessee. No subleasing by Lessee is authorized.

b. Title. Lessor makes no representation or warranties as to title to the Coal or the Leased Premises. Lessee may purchase or lease the rights of any party claiming any interest in said Coal and execute such rights as may be obtained thereby, and Lessee shall not suffer any forfeiture nor incur any liability to Lessor by reason thereof. Should Lessee wish to investigate Lessor’s title following execution of this Lease, Lessor agrees to cooperate with Lessee as to title matters by making available to Lessee all abstracts, title insurance policies, and other title documents in Lessor’s possession.

c. Recording. The Parties agree that they will execute a Memorandum of Underground Coal Lease in a form substantially similar to that attached as Exhibit D and that the executed Memorandum will be placed of record in Emery County, State of Utah. This Lease shall not be recorded.

d. Notices. All notices and other communications relating to this Lease shall be in writing except where another form of notice is expressly authorized by this Lease and shall be effective when received by the authorized representative of the other Party designated below. Notices sent by fax or email shall be considered written notices.

To Lessee: Canyon Fuel Company, LLC
225 North Fifth Street, 9th Floor
Grand Junction, Colorado 81501
Attn: Land Manager
Wkoontz@bowieresources.com

With a copy to: Canyon Fuel Company, LLC
6100 Dutchmans Lane, 9th Floor
Louisville, Kentucky 40205
Attn: Brian S. Settles, General Counsel
Email: bsettles@bowieresources.com

To Lessor: PacifiCorp
1407 W. North Temple
Salt Lake City, Utah 84116
Attn: Fuels Department
Email: steve.larsen@pacificorp.com

With a copy to: Stoel Rives LLP

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DIV. OF OIL, GAS & MINING
Either Party shall have the right to change its address by giving written notice of the change to the other Party.

e. **Inspection.** Lessor or its duly authorized agents and representatives shall have the right at all reasonable times and at its own risk to enter into and upon the Leased Premises and workings thereon for the purpose of examining and inspecting the same, and ascertaining whether the terms and conditions of this Lease are being carried out and performed by Lessee. Lessor or its duly authorized representative shall at all reasonable times have access to the production records, and other records as set forth in Section 9 above.

f. **Interference with Operations.** The Parties recognize that this Lease does not cover oil and gas rights, except Coal Seam Gas, and other mineral rights not covered by this Lease underlying the Leased Premises and that Lessor retains the right to grant leases or other conveyances as to such rights. However, Lessor agrees that any leases, grants or conveyances made by it subsequent hereto affecting or pertaining to oil and gas or other minerals not covered by this Lease shall contain appropriate provisions to insure that all operations of Lessee under this Lease may be carried on without undue interference by any such parties or by Lessor. The rights of such subsequent leases, their assignees, and Lessor thereunder shall be junior and subordinate to those of Lessee hereunder in the event of any actual irreconcilable conflict or interference with Lessee’s operations.

g. **Applicable Law.** This Lease and all of its terms and provisions shall be governed by and interpreted according to the laws of the State of Utah, including its equitable doctrines, without regard to its choice of law doctrines.

h. **Headings, Word Usage.** The numbered section headings are provided for the use and convenience of the Parties and shall not be deemed part of this Lease, nor as having any bearing upon the interpretations given to any provision of this Lease.

i. **Nonwaiver.** The failure of either Party to require strict performance of any provision of this Lease by the other Party, or the forbearance to exercise any right or remedy under this Lease, shall not be construed as a waiver by the Party of the right to require strict performance of any provision or the relinquishment by the Party of any right or remedy it might have with respect to any subsequent breach of the provision.

j. **Remedies Cumulative.** Except as otherwise expressly provided herein, each remedy specifically provided for under this Lease shall be taken and construed as cumulative and
in addition to any other remedy provided for in this Lease or by law or equity, including, but not limited to, actions for specific performance.

k. **JURY WAIVER.** TO THE FULLEST EXTENT PERMITTED BY LAW, EACH OF THE PARTIES HERETO WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS LEASE. EACH PARTY FURTHER WAIVES ANY RIGHT TO CONSOLIDATE ANY ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED.

l. **Attorneys’ Fees.** In the event suit or action is instituted to interpret or enforce the terms of this Lease or to rescind this Lease, the prevailing Party shall be entitled to recover from the other Party such sum as the court may adjudge reasonable as attorneys’ fees at trial, on any appeal, and on any petition for review, and in any bankruptcy proceedings related to this Lease, in addition to all other sums provided by law.

m. **Entire Agreement; Termination of Prior Agreement; Amendments.** This Lease (including all Exhibits), contain the final and entire agreement concerning the subject matter between the Parties, and there are no other understandings, representations, or agreements between the Parties, or either of them, with respect to this Lease. This Lease may not be amended except by an instrument in writing signed by a duly-authorized representative of each Party.

n. **Severability.** If any provision of this Lease is declared invalid or unenforceable, all other provisions of this Lease shall nevertheless remain in full force and effect.

o. **Third Parties.** Nothing herein expressed or implied is intended or shall be construed to confer upon or give any person or entity other than the Parties hereto and their successors and assigns any right or remedies by reason of this Lease as a third party beneficiary or otherwise.

p. **Further Assurances.** The Parties agree from time to time to execute such additional documents as are necessary to effect the intent of the Parties as manifested by this Lease.
IN WITNESS WHEREOF, the Parties have caused this Lease to be executed on the date first written above.

LESSOR:

PACIFICORP
an Oregon corporation

Cindy A. Carne
President/CEO - PacifiCorp dba Rocky Mountain Power

LESSEE:

CANYON FUEL COMPANY, LLC
a Delaware limited liability company

By: Johannes H. Dreyer
Its: CEO

INCORPORATED
FEB 13 2017
Div. of Oil, Gas & Mining
EXHIBIT A

Legal Description of the Leased Premises

Township 14 South, Range 6 East, SLB&M

Section 3: Lots 1 & 2; S\(\frac{1}{4}\)NE\(\frac{1}{4}\);
E\(\frac{1}{4}\)SE\(\frac{1}{4}\); E\(\frac{1}{4}\)W\(\frac{1}{4}\)SE\(\frac{1}{4}\);
NW\(\frac{1}{4}\)NW\(\frac{1}{4}\)SE\(\frac{1}{4}\)

(Containing 287.56 acres, more or less.)
EXHIBIT B

General Depiction of the Leased Premises and Electric Lake
PacifiCorp Fee Coal Lease - Skyline Mine

[attached]
EXHIBIT C

General Depiction of the Minimum Buffer Zone
and the Connelville Fault
Cross Section of PacifiCorp Coal Fee Coal Lease - Skyline Mine

[attached]
Exhibit C
Canyon Fuels Company Cross-Section of PacifiCorp Fee Coal Lease-Skyline Mine

Generalized Cross Section

Vertical Exaggeration 4x

Area to be effected by subsidence

Electric Lake Elev. 8575

Buffer Zone

Coal Seams

Lower O'Connor B Seam

Flat Canyon Seam

PacifiCorp Fee Coal

INCORPORATED

FEB 13 2017

Div. of Oil, Gas & Mining
EXHIBIT D

Memorandum of Underground Coal Lease

[attached]
MEMORANDUM OF UNDERGROUND COAL LEASE

THIS MEMORANDUM OF UNDERGROUND COAL LEASE (this "Memorandum") is made and entered into this 5th day of June, 2015 (the "Effective Date") by and between PACIFICORP, an Oregon corporation, having a mailing address of 1407 W. North Temple, Salt Lake City, Utah 84116 ("Lessor"), and CANYON FUEL COMPANY, LLC, a Delaware limited liability company, having a mailing address of 6100 Dutchmans Lane, 9th Floor, Louisville, Kentucky 40205 ("Lessee"). Lessor and Lessee may be collectively referred to herein as the "Parties" or individually as a "Party."

REICIALS

A. WHEREAS, the Lessor and Lessee entered into that certain Underground Coal Lease, of even date herewith (the "Lease"), relating to the lease of the coal resources within certain parcels of land located in Emery County, State of Utah, as more particularly described in Exhibit A attached hereto (the "Leased Premises"), along with other purposes related to the Lease and the development of the coal resource on the Leased Premises. The Lease is expressly incorporated herein by reference and made a part hereof as though fully set forth herein.

B. WHEREAS, by this Memorandum, the Lessor and Lessee desire to provide public notice of the Lease.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

1. Public Notice. All members of the general public are hereby placed on notice of inquiry as to the specific provisions of the Lease, all of which are incorporated herein by reference with the same force and effect as if herein set forth in full. This Memorandum shall be
recorded in the real estate records of Emery County, State of Utah, in lieu of recording the entire
Lease.

2. **Lease Term.** The Lease will become effective on the Effective Date and shall remain in
effect for a term of ten (10) years from the Effective Date hereof (the "**Term**"), unless
extended or earlier terminated in accordance with the provisions of the Lease.

3. **Conflicts.** In the event of any conflict between the terms of this Memorandum
and the terms of the Lease, the terms of the Lease shall control.

4. **Captions and Capitalized Terms.** Caption headings are inserted herein only as a
matter of convenience of reference, and in no way serve to define, limit, or describe the scope of
intent of, or in any way affect, this Memorandum. Capitalized terms not defined in this
Memorandum shall have the meanings ascribed to them in the Lease.

[Signatures on Following Pages]
IN WITNESS WHEREOF, the Parties hereto have executed this Memorandum of Underground Coal Lease as of the date set forth above.

LESSOR:

PACIFICORP
an Oregon corporation

____________________
Cindy A. Crane
President/CEO - PacifiCorp dba Rocky Mountain Power

LESSOR ACKNOWLEDGEMENT:

STATE OF UTAH          )
COUNTY OF SALT LAKE    )

The foregoing instrument was acknowledged before me this 5th day of June, 2015, by CINDY A. CRANE, the President/CEO of PACIFICORP dba Rocky Mountain Power, an Oregon corporation.

____________________
NOTARY PUBLIC
Residing at:

My commission expires:

INCORPORATED
FEB 13 2017
Div. of Oil, Gas & Mining
LESSEE:

CANYON FUEL COMPANY, LLC
a Delaware limited liability company

By: ____________________________
Its: ____________________________

LESSEE ACKNOWLEDGEMENT:

STATE OF )
COUNTY OF ) ss.

The foregoing instrument was acknowledged before me this ___ day of ______, 2015, by __________________ the ___________ of CANYON FUEL COMPANY, LLC, a Delaware limited liability company.

NOTARY PUBLIC
Residing at: ____________________________

My commission expires: ____________________________

INCORPORATED
FEB 13 2017
Div. of Oil, Gas & Mining

-25-
EXHIBIT A

to Memorandum of Underground Coal Lease

Legal Description of the Leased Premises

Township 14 South, Range 6 East, SLB&M

Section 3: Lots 1 & 2; S½NE¼;
E½SE¼; E½W½SE¼;
NW¼NW¼SE¼

(Containing 287.66 acres, more or less.)
MEMORANDUM OF LEASE

This MEMORANDUM OF LEASE, is made and effective this 22nd day of May, 1998 (the “Effective Date”), by and between, David G. Cunningham and Rene L. Cunningham, whose address is 995 East Hillside Drive, Provo, Utah 84604 (“Lessor”) and Canyon Fuel Company, LLC, whose address is 6955 South Union Park Center, Suite 550, Midvale, UT 84047 (“Lessee”).

WITNESSETH:

WHEREAS, Lessor and Lessee have entered into a certain Underground Coal Lease of even date herewith (the “Lease”), and desire to provide record notice of the existence of such Lease by the execution and recording of this Memorandum.

NOW THEREFORE, for and in consideration of the agreements contained herein, and the mutual promises and covenants contained in the Lease, the parties agree as follows:

1. Grant of Lease. Lessor does hereby grant, demise, lease and let exclusively unto Lessee all coal situated in, on or under the real estate property located in Emery County, State of Utah, known as:

Township 14 South, Range 6 East, SLB&M

Section 3: LOTS 3 & 4; S1/2 NW1/4; SW1/4; W1/2 SW1/4 SE1/4; SW1/4 NW1/4 SE1/4

and all unleashed land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, although not included within the boundaries of the land described above (the
"Leased Premises"). Said Leased Premises comprises approximately 346.68 acres.

2. Rights of Lessee. The Leased Premises are hereby leased exclusively unto Lessee for the purpose of prospecting, exploring, developing, testing, mining and operating for and producing by any underground mining method or methods deemed desirable by Lessee, whether now or hereafter existing or known, all Coal (as hereinafter defined) lying and situated in, on or under the Leased Premises, with the right to store, save, remove, transport, own and market, treat, process or otherwise utilize said Coal, together with all of the mining rights and privileges appurtenant to the said Coal and incident to the ownership thereof, and (by way of enlargement, and not by way of restriction) the following rights and privileges:

a) The exclusive right and privilege to prospect upon and under the surface overlying the Leased Premises for Coal; to reasonably explore, survey, conduct soil and water sampling and other environmental studies, drill, bore, core and test and analyze by any other reasonable means, provided, however, that such prospecting operations shall not include stripping of the surface or surface mining.

b) The exclusive right to enter for the purposes of coal exploration, mapping, and environmental monitoring; and the free and uninterrupted right-of-way into, upon, over, across and through the Leased Premises, at such points and in such manner as may be necessary or convenient for the purpose of mining, removing, processing and marketing all of the Coal hereby leased.

c) The right-of-way, right of entry, access, ingress and egress and right to transport under and through the Leased Premises any Coal now or hereafter owned, leased or otherwise acquired by Lessee and located on lands comprising any portion of the General Mining
Area. For purposes of the Lease, the term General Mining Area shall cover and include the Leased Premises together with the following lands located in Carbon and Emery County, State of Utah:

**Range 6 East, SLB&M**

Township 12 South, Sections: All of 35 and portions of 26 and 34

Township 13 South, Sections: All of 2, 3, 10, 11, 14, 15, 20, 21, 22, 23, 26, 27, 28, 29, 32, 33, 34, and 35.

Township 13 South, Sections: Portions of 13, 24, and 25.

Township 14 South, Sections: All of 2, 3, 4 and 5.

d) The right to use so much of the surface as may be necessary or convenient in conjunction with Lessee's operations hereunder, as long as Lessee does not unreasonably interfere with the use of the surface.

e) The right to include the Leased Premises or any portion thereof in any plan of unitization for coal or Federal logical mining unit pursuant to any such unit agreement, and so that operations or mining in any portion of the unit shall be deemed operations or mining on the Leased Premises.

f) The right to subside, collapse, sink, lower, and alter the surface, subsurface, and superadjacent stata as a result of Lessee's permitted operations hereunder without any liability for such removal of coal where Lessee has actually caused such subsidence provided, however, that any subsidence-caused damage to surface structures such as roads or buildings will be repaired at Lessee's expense. In the event that any surface water resource is affected by diminution or interruption resulting from underground coal mining operations, Lessee shall replace such water in accordance with the Lessee's approved Mining and Reclamation Plan.

All of the rights of the Lessee under this Lease shall continue to exist after Merchantable Coal (hereinafter defined) has been mined and removed from the Leased Premises for so long as Lessee is conducting
mining operations on lands comprising any portion of the General Mining Area.

For the purposes of the Lease, the term “Coal” is used in its commonly accepted meaning and shall include any seam, vein, bed, strata or deposit, from the lowest grade of lignite through the highest grade of anthracite, both inclusive, and all constituent products thereof in whatever physical state or form produced, and all impurities and other minerals of every nature and type of substance associated or commingled therewith, including methane or coal bed methane and other naturally-occurring gases contained therein.

For the purposes of the Lease, the term Merchantable Coal is defined as coal which can be sold at a reasonable profit in markets available to Lessee utilizing modern methods, procedures and accounting principles customarily used by competent operations in the region of the Leased Premises.

3. Term. This Lease shall remain in effect for a term of twenty (20) years from the Effective Date and so long thereafter as Coal is being mined, produced, processed or marketed from the Leased Premises, or so long as the Lease may be held in force and effect by some other provision of the Lease.
4. Short Form of Lease. This Memorandum is subject to the terms, conditions and restrictions contained in the Lease between Lessor and Lessee of even date herewith. It is understood and agreed between Lessor and Lessee that this Memorandum is a short form only of the Lease, and this Memorandum is executed for the purpose of causing the same to be recorded in the County Clerk's Office, Emery County, as record notice of the existence of the Lease. This Memorandum shall not in any way enlarge upon, restrict or otherwise affect the terms and provisions of the Lease.

IN WITNESS WHEREOF, this Memorandum was executed as of the date first above written.

LESSOR:

David G. Cunningham

Rene L. Cunningham

LESSEE:

CANYON FUEL COMPANY, LLC

By: Mark A. Luecky

Its: VP - FINANCE

INCORPORATED

FEB 13 2017

Div. of Oil, Gas & Mining
STATE OF [Wash]
COUNTY OF [Wash]

The foregoing Memorandum of Lease was acknowledged before me this 14th day of November, 1998 by David G. Cunningham and Rene L. Cunningham.

[Signature]
Notary Public
My commission expires: 10-1-98

STATE OF [Missouri]
COUNTY OF St. Louis

The foregoing Memorandum of Lease was acknowledged before me this 26th day of October by Mark A. Lurato as Vice President, Finance of Canyon Fuel Company, LLC, a Delaware Limited Liability Company, on behalf of said Company.

[Signature]
Notary Public
My Commission Expires: JAM L WOOTON
NOTARY PUBLIC STATE OF MISSOURI
ST. LOUIS COUNTY
MY COMMISSION EXP. JAN. 27,2002

INTEGRATED
FEB 13 2017
Div. of Oil, Gas & Mining
MEMORANDUM OF LEASE

This MEMORANDUM OF LEASE, is made and effective this 22nd day of May, 1998 (the “Effective Date”), by and between, James O. Tracy, Jr. and Linda D. Tracy, whose address is 3148 North Timpview, Provo, Utah 84604 (“Lessor”) and Canyon Fuel Company, LLC, whose address is 6955 South Union Park Center, Suite 550, Midvale, UT 84047 (“Lessee”).

WITNESSETH:

WHEREAS, Lessor and Lessee have entered into a certain Underground Coal Lease of even date herewith (the “Lease”), and desire to provide record notice of the existence of such Lease by the execution and recording of this Memorandum.

NOW THEREFORE, for and in consideration of the agreements contained herein, and the mutual promises and covenants contained in the Lease, the parties agree as follows:

1. Grant of Lease. Lessor does hereby grant, demise, lease and let exclusively unto Lessee all coal situated in, on or under the real estate property located in Emery County, State of Utah, known as: INCORPORATED

Township 14 South, Range 6 East, SLB&M

Section 3: LOTS 3 & 4; S1/2 NW1/4; SW1/4; W1/2 SW1/4 SE1/4; SW1/4 NW1/4 SE1/4

and all unleashed land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, although not included within the boundaries of the land described above (the
"Leased Premises"). Said Leased Premises comprises approximately 346.68 acres.

2. Rights of Lessee. The Leased Premises are hereby leased exclusively unto Lessee for the purpose of prospecting, exploring, developing, testing, mining and operating for and producing by any underground mining method or methods deemed desirable by Lessee, whether now or hereafter existing or known, all Coal (as hereinafter defined) lying and situated in, on or under the Leased Premises, with the right to store, save, remove, transport, own and market, treat, process or otherwise utilize said Coal, together with all of the mining rights and privileges appurtenant to the said Coal and incident to the ownership thereof, and (by way of enlargement, and not by way of restriction) the following rights and privileges:

a) The exclusive right and privilege to prospect upon and under the surface overlying the Leased Premises for Coal; to reasonably explore, survey, conduct soil and water sampling and other environmental studies, drill, bore, core and test and analyze by any other reasonable means, provided, however, that such prospecting operations shall not include stripping of the surface or surface mining.

b) The exclusive right to enter for the purposes of coal exploration, mapping, and environmental monitoring; and the free and uninterrupted right-of-way into, upon, over, across and through the Leased Premises, at such points and in such manner as may be necessary or convenient for the purpose of mining, removing, processing and marketing all of the Coal hereby leased.

c) The right-of-way, right of entry, access, ingress and egress and right to transport under and through the Leased Premises any Coal now or hereafter owned, leased or otherwise acquired by Lessee and located on lands comprising any portion of the General Mining
Area. For purposes of the Lease, the term General Mining Area shall cover and include the Leased Premises together with the following lands located in Carbon and Emery County, State of Utah:

**Range 6 East, SLB&M**

Township 12 South, Sections: All of 35 and portions of 26 and 34

Township 13 South, Sections: All of 2, 3, 10, 11, 14, 15, 20, 21, 22, 23, 26, 27, 28, 29, 32, 33, 34, and 35.

Township 13 South, Sections: Portions of 13, 24, and 25.

Township 14 South, Sections: All of 2, 3, 4 and 5.

d) The right to use so much of the surface as may be necessary or convenient in conjunction with Lessee's operations hereunder, as long as Lessee does not unreasonably interfere with the use of the surface.

e) The right to include the Leased Premises or any portion thereof in any plan of unitization for coal or Federal logical mining unit pursuant to any such unit agreement, and so that operations or mining in any portion of the unit shall be deemed operations or mining on the Leased Premises.

f) The right to subside, collapse, sink, lower, and alter the surface, subsurface, and superadjacent stata as a result of Lessee's permitted operations hereunder without any liability for such removal of coal where Lessee has actually caused such subsidence provided, however, that any subsidence-caused damage to surface structures such as roads or buildings will be repaired at Lessee's expense. In the event that any surface water resource is affected by diminution or interruption resulting from underground coal mining operations, Lessee shall replace such water in accordance with the Lessee's approved Mining and Reclamation Plan.

All of the rights of the Lessee under this Lease shall continue to exist after Merchantable Coal (hereinafter defined) has been mined and removed from the Leased Premises for so long as Lessee is conducting
mining operations on lands comprising any portion of the General Mining Area.

For the purposes of the Lease, the term “Coal” is used in its commonly accepted meaning and shall include any seam, vein, bed, strata or deposit, from the lowest grade of lignite through the highest grade of anthracite, both inclusive, and all constituent products thereof in whatever physical state or form produced, and all impurities and other minerals of every nature and type of substance associated or commingled therewith, including methane or coal bed methane and other naturally-occurring gases contained therein.

For the purposes of the Lease, the term Merchantable Coal is defined as coal which can be sold at a reasonable profit in markets available to Lessee utilizing modern methods, procedures and accounting principles customarily used by competent operations in the region of the Leased Premises.

3. Term. This Lease shall remain in effect for a term of twenty (20) years from the Effective Date and so long thereafter as Coal is being mined, produced, processed or marketed from the Leased Premises, or so long as the Lease may be held in force and effect by some other provision of the Lease.
STATE OF ______________________  
COUNTY OF ______________________

The foregoing Memorandum of Lease was acknowledged before me this ___ day of ______________________, 1998 by James O. Tracy, Jr. and Linda D. Tracy.

______________________________
Notary Public
My commission expires: June 29, 2001

STATE OF ______________________  
COUNTY OF ______________________

The foregoing Memorandum of Lease was acknowledged before me this 25th day of October ______ by Mark A. Lucey as Vice-President Finance of Canyon Fuel Company, LLC, a Delaware Limited Liability Company, on behalf of said Company.

______________________________
Notary Public
My Commission Expires:

JAN L. WICKSON  
NOTARY PUBLIC STATE OF MISSOURI  
ST. LOUIS COUNTY  
MY COMMISSION EXP. JAN. 27, 2002

INcorporated  
FEB 13 2017  
Div. of Oil, Gas & Mining
April 17, 2017

Mr. Rick Torgerson, Region 4 Director
Utah Department of Transportation
210 West 800 South
Richfield, Utah 84701

RE: State of Utah Highway SR-264; Subsidence Impact Agreement

To Whom It May Concern:

Canyon Fuel Company, LLC (CFC) Skyline Mines is notifying you of the mine's plan to expand mining into Sections 21, 28, and 33 in Township 13 South, Range 6 East, SLB&M, and Sections 4 and 5 in Township 14 South, Range 6 East, SLB&M. CFC recently acquired this coal lease in this area, and plans to undermine portions of SR-264 in these areas; specifically in areas north of Boulger Reservoir between mile markers approximately 4.5 to 6 (see attached map). Since SR-264 traverses areas which may be affected by subsidence from mining operations, this letter is intended to identify both the obligations and rights of CFC with respect to subsidence from mining operations, and the effects, if any on SR-264.

If accepted and agreed to by the Utah Department of Transportation (UDOT), UDOT has no objection to and will allow CFC's mining operations being conducted, as proposed by CFC, within the area of influence of SR-264. In consideration for such authorization, CFC agrees to repair promptly all damage, such as surface impacts, to SR-264 due to subsidence caused by CFC as we have done previously on other sections of the road.

If UDOT agrees to the provisions as noted, please sign both copies of this letter agreement and return one copy to Canyon Fuel Company, LLC.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Gregg Galecki at (435) 448-2636 or me at (435) 448-2662.

Sincerely,

Corey Heaps
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Agreed and accepted this _____ day of __________., 2017.

Rick Torgerson
Director, Region 4
Utah Department of Transportation
INTEGRATED

FEB 13, 2017

Div. of Oil, Gas & Mining

Canyon Fuel Company, LLC
Skyline Mines

LEGEND

LOB SEAM
LOA/FLAT CANYON SEAM
PREVIOUSLY MINED AREA

NOTES:
1. CONSTRUCTION BORE IN ONE END ONLY.
2. WATER LINES, GAS LINES, AND TELEPHONE LINES ARE LOCATED IN THE MINE’S RESERVE.
3. ANY BORE HOLES 30 FT OR MORE FROM ANY OF THE ABOVE MENTIONED LINES ARE NOT TO BE PER-formed.
4. NO BORE HOLES TO BE PER-formed IN THE HONORARY MINE’S RESERVE.
5. SEE PLATE 1-3 FOR PERMIT AND ADJACENT AREAS.

SCALE: 1/4" = 1-0"
April 17, 2017

Mr. & Mrs. David G. Cunningham
995 East Hillside Drive
Provo, Utah 84604

RE: Canyon Fuel Company, LLC, Skyline Mines; New Federal Lease UTU-77114 commonly referred to as the "Flat Canyon Lease"

Dear Mrs. & Mrs. Tracy:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mines is notifying you of the mine’s plan to expand mining into Sections 21, 28, and 33 in Township 13 South, Range 6 East, SLB&M, and Sections 4 and 5 in Township 14 South, Range 6 East, SLB&M. CFC recently acquired this coal lease in this area, Federal Lease UTU-77114, commonly referred to as the “Flat Lease” and plans to mine portions of this lease underlying National Forest lands in these areas. Mining is planned to be initiated in Federal Lease UTU-77114 in 2017 and continue through approximately 2029. No subsidence or surface disturbance will occur as the result of developing the mains in any of the areas listed. Minor surface subsidence may occur in areas where longwall mining will be conducted, but no surface or ground water flows will be interrupted or diminished as a result of this mining activity. The area to be mined includes your property located in the Upper Huntington drainage west of Electric Lake and currently under lease with Canyon Fuel Company. Electric Lake will not be undermined using longwall mining techniques. Attached is a copy of the Skyline Mine general mine plan indicating approximately when your property will be mined.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Gregg Galecki at (435) 448-2636 or me at (435) 448-2662.

Sincerely,

Corey Heaps
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC.

xc:Suzanne Steab, Utah Division of Oil, Gas & Mining

*Via Certified Mail*
April 17, 2017

Mr. & Mrs. James O. Tracy
3148 North Timpview Dr.
Provo, Utah 84604

RE: Canyon Fuel Company, LLC, Skyline Mines; New Federal Lease UTU-77114 commonly referred to as the "Flat Canyon Lease"

Dear Mrs. & Mrs. Tracy:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mines is notifying you of the mine’s plan to expand mining into Sections 21, 28, and 33 in Township 13 South, Range 6 East, SLB&M, and Sections 4 and 5 in Township 14 South, Range 6 East, SLB&M. CFC recently acquired this coal lease in this area, Federal Lease UTU-77114, commonly referred to as the “Flat Lease” and plans to mine portions of this lease underlying National Forest lands in these areas. Mining is planned to be initiated in Federal Lease UTU-77114 in 2017 and continue through approximately 2029. No subsidence or surface disturbance will occur as the result of developing the mains in any of the areas listed. Minor surface subsidence may occur in areas where longwall mining will be conducted, but no surface or ground water flows will be interrupted or diminished as a result of this mining activity. The area to be mined includes your property located in the Upper Huntington drainage west of Electric Lake and currently under lease with Canyon Fuel Company. Electric Lake will not be undermined using longwall mining techniques. Attached is a copy of the Skyline Mine general mine plan indicating approximately when your property will be mined.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Gregg Galecki at (435) 448-2636 or me at (435) 448-2662.

Sincerely,

Corey Heaps
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC.

xc:Suzanne Steab, Utah Division of Oil, Gas & Mining

INCORPORATED

FEB 13 2017

Div. of Oil, Gas & Mining
April 17, 2017

Price River Water Improvement District
265 S. Fairgrounds Rd.
Price, Utah 84501

RE: Canyon Fuel Company, LLC, Skyline Mines; New Federal Lease UTU-77114 commonly referred to as the "Flat Canyon Lease"

To Whom It May Concern:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mines is notifying you of the mine’s plan to expand mining into Sections 21, 28, and 33 in Township 13 South, Range 6 East, SLB&M, and Sections 4 and 5 in Township 14 South, Range 6 East, SLB&M. CFC recently acquired this coal lease in this area, Federal Lease UTU-77114, commonly referred to as the “Flat Lease” and plans to mine portions of this lease underlying National Forest lands in these areas. Mining is planned to be initiated in Federal Lease UTU-77114 in 2017 and continue through approximately 2029. No subsidence or surface disturbance will occur as the result of developing the mains in any of the areas listed. Minor surface subsidence may occur in areas where longwall mining will be conducted, but no surface or ground water flows will be interrupted or diminished as a result of this mining activity. Water encountered underground during mining operations will likely be discharged to Eccles Creek and the Price River drainage. Copies of the mine plan modification may be examined at the Skyline Mine or at the Utah Division of Oil, Gas & Mining offices in Salt Lake City, Utah.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Gregg Galecki at (435) 448-2636 or me at (435) 448-2662.

Sincerely,

Corey Heaps
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC.

xc:Suzanne Steab, Utah Division of Oil, Gas & Mining
April 17, 2017

Manti-LaSal National Forest
c/o Darren Olsen
599 West Price River Road
Price, Utah 84501

RE: Canyon Fuel Company, LLC, Skyline Mines; New Federal Lease UTU-77114 commonly referred to as the “Flat Canyon Lease”

To Whom It May Concern:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mines is notifying you of the mine’s plan to expand mining into Sections 21, 28, and 33 in Township 13 South, Range 6 East, SLB&M, and Sections 4 and 5 in Township 14 South, Range 6 East, SLB&M. CFC recently acquired this coal lease in this area, Federal Lease UTU-77114, commonly referred to as the “Flat Lease” and plans to mine portions of this lease underlying National Forest lands in these areas. Mining is planned to be initiated in Federal Lease UTU-77114 in 2017 and continue through approximately 2029. No subsidence or surface disturbance will occur as the result of developing the mains in any of the areas listed. Minor surface subsidence may occur in areas where longwall mining will be conducted, but no surface or ground water flows will be interrupted or diminished as a result of this mining activity. Copies of the mine plan modification may be examined at the Skyline Mine or at the Utah Division of Oil, Gas & Mining offices in Salt Lake City, Utah.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Gregg Galecki at (435) 448-2636 or me at (435) 448-2662.

Sincerely,

Corey Heaps
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC.

xc:Suzanne Steab, Utah Division of Oil, Gas & Mining
April 17, 2017

Emery Water Conservancy
50 S. 100 E.
Castle Dale, Utah 84513

RE: Canyon Fuel Company, LLC, Skyline Mines; New Federal Lease UTU-77114 commonly referred to as the "Flat Canyon Lease"

To Whom It May Concern:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mines is notifying you of the mine’s plan to expand mining into Sections 21, 28, and 33 in Township 13 South, Range 6 East, SLB&M, and Sections 4 and 5 in Township 14 South, Range 6 East, SLB&M. CFC recently acquired this coal lease in this area, Federal Lease UTU-77114, commonly referred to as the "Flat Lease" and plans to mine portions of this lease underlying National Forest lands in these areas. Mining is planned to be initiated in Federal Lease UTU-77114 in 2017 and continue through approximately 2029. No subsidence or surface disturbance will occur as the result of developing the mains in any of the areas listed. Minor surface subsidence may occur in areas where longwall mining will be conducted, but no surface or ground water flows will be interrupted or diminished as a result of this mining activity. The area to be mined is located in the Upper Huntington drainage west of Electric Lake. Electric Lake will not be undermined using longwall mining techniques. Copies of the mine plan modification may be examined at the Skyline Mine or at the Utah Division of Oil, Gas & Mining offices in Salt Lake City, Utah.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Gregg Galecki at (435) 448-2636 or me at (435) 448-2662.

Sincerely,

Corey Heaps
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC.

xc:Suzanne Steab, Utah Division of Oil, Gas & Mining
EXHIBIT 1.14-3

BLM LETTER INCLUDING LAWRENCE RESERVOIR IN LEASE FEDERAL COAL LEASE UTAH-044076
In Reply Refer To:
3432
U-044076
(UT-932)

CERTIFIED MAIL-Return Receipt Requested

DECISION

Canyon Fuel Company, L.L.C. : Coal Lease
C/o Ark Land Company : U-044076
Attn: Douglas M. Downing
CityPlace One, Suite 300
St. Louis, MO 63141

Evidence Required

An application for a modification of coal lease U-044076 was filed in this office on September 11, 2000. The proposed lease modification includes the following described lands in Carbon County, Utah:

T. 13 S., R. 6 E., SLM, UT
Sec. 27, Lawrence Reservoir Site;
Sec. 34, Lawrence Reservoir Site.

Containing 121.50 acres

Lease U-044076 is contained in the Skyline Logical Mining Unit (LMU). As stated in the modified coal lease document, within 30 days after the effective date of this lease modification, the lessee shall modify its Skyline LMU to include the 121.50 acres added to coal lease U-044076 by this modification. The modified land shall be segregated into another Federal coal lease should the lessee fail to file such a modification. The annual rental due date for the Skyline LMU is August 1.

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. A payment of $120.00 is to be submitted to this office. This covers the estimated additional rental for the rental year beginning August 1, 2000. Please note that rental, for the Federal coal leases contained in the LMU, in the amount of $3.00 per acre, or a total of $19,467 is due on August 1, 2001 ($7,470 for lease U-044076), and payable to the Minerals Management Service. The method of payment of the fair market value for the area of the lease modification is listed in No. 26 of the special lease stipulations.

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A surety bond (BLM Bond No. UT1171) of $2,670,000 is on file in this office and has been determined to be adequate coverage to include the modification of coal lease U-044076, if it is included in the Skyline LMU. This bond covers annual rental and three months royalty payments for this producing LMU. If the LMU is not modified to include these lands, the segregated lease will require a minimum bond of $5,000.

The LMU has met its diligent development requirements as found 43 CFR 3480.0-5(a)(13) and 43 CFR 3480.0-5(a)(6). Its diligent development requirement was met in March, 1987.

A period of thirty days from 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 modification will be denied.

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) from 30 to 60 days after 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 a stay.

Robert Lopez
Chief, Branch of Minerals Adjudication

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510-773-7624
Enclosures
Form 1842-1
Modified Coal Lease (4 copies)
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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)).

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

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

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DIV OF OIL GAS & MIN.
PART I.

THIS MODIFIED COAL LEASE is entered into on __________________, by and between the UNITED STATES OF AMERICA, hereinafter called the Lessor, through the Bureau of Land Management, and

Canyon Fuel Company, LLC
6955 Union Park Center, Suite 550
Midvale, Utah 84047

hereinafter called Lessee.

This modified lease shall retain the effective date of September 1, 1965, of the original COAL LEASE UTU-044076, and is effective for a period of 20 years therefrom, 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 the 20th lease year (September 1, 1985), and each 10-year 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.)


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-044076, issued effective September 1, 1965, 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: T. 13 S., R. 6 E., SLM, UT
Sec. 26, W2E2, W2;
Sec. 27, lots 1-4, E2, E2W2 excluding Lawrence Reservoir Site;
Sec. 34, lots 1-8, S2 excluding Lawrence Reservoir Site;
Sec. 35, lots 1-7, NE, E2NW, NESW, N2SE.

Tract 2: T. 13 S., R. 6 E., SLM, UT
Secs. 27, 34, Lawrence Reservoir Site.

containing 2,489.32 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 an LMU bond in the amount of $2,670,000. The authorized officer may require an increase in this amount when additional coverage is determined appropriate.

Sec. 4. DILIGENCE - This lease achieved diligent development September 30, 1990, 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) - The lands contained in the original lease have been included in the Skyline LMU approved effective August 1, 1988. Within 30 days after the effective date of this lease modification, the Lessee shall modify its Skyline Logical Mining Unit to include the 121.50 acres added to Coal Lease UTU-044076 by this modification. The modified land shall be segregated into another Federal coal lease should the Lessee fail to file such a modification.

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.

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 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 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 require, 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 and 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
damages or solid waste, repair the offsite and
damage caused by Lessee's activity or
activities incidental thereto, and reclaim
access roads or trail.

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
and 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
seq.)
Sec. 15. SPECIAL STIPULATIONS -

SEE ATTACHED STIPULATIONS

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1. The Regulatory Authority shall mean the State Regulatory Authority pursuant to a cooperative agreement approved under 30 CFR Part 745 or in the absence of a cooperative agreement, Office of Surface Mining. The authorized officer shall mean the State Director, Bureau of Land Management. The authorized officer of the Surface Management Agency shall mean the Forest Supervisor, Forest Service. Surface Management Agency for private surface is the Bureau of Land Management. For adjoining private lands with Federal minerals and which primarily involve National Forest Service issues, the Forest Service will have the lead for environmental analysis and, when necessary, documentation in an environmental assessment or environmental impact statement.

2. The authorized officers, of the Bureau of Land Management, Office of Surface Mining (Regulatory Authority), and the Surface Management Agency (Forest Service) respectively, shall coordinate, as practical, regulation of mining operations and associated activities on the lease area.

3. 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.

4. Federal Regulations 43 CFR 3400 pertaining to Coal Management make provisions for the Surface Management Agency, the surface of which is under the jurisdiction of any Federal agency other than the Department of Interior, to consent to leasing and to prescribe conditions to insure the use and protection of the lands. All or part of this lease contain lands the surface of which are managed by the United States Department of Agriculture, Forest Service Manti-LaSal National Forest.

The following stipulations pertain to the lessee responsibility for mining operations on the lease area and on adjacent areas as may be specifically designated on National Forest System lands.

5. 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 appropriate authorities. 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.

6. 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.

7. 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.

8. 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.

9. The limited area available for mine facilities at the coal outcrop, steep topography, adverse winter weather, and physical limitations on the size and design of the access road, are factors which will determine the ultimate size of the surface area utilized for the mine. A site specific environmental analysis will be prepared for each new mine site development and for major modifications to existing developments to examine alternatives and mitigate conflicts.

10. Consideration will be given to site selection to reduce adverse visual impacts. Where alternative sites are available, and each alternative is technically feasible, the alternative involving the least damage to the scenery and other resources shall be selected. Permanent structures and facilities will be designed, and screening techniques employed, to reduce visual impacts, and where possible achieve a final landscape compatible with the natural surroundings. The creation of unusual, objectionable, or unnatural land forms and vegetative landscape features will be avoided.
11. 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.

12. The lessee shall provide for the suppression and control of fugitive dust on haul roads and at coal handling and storage facilities. On Forest Development Roads (FDR), lessees may perform their share of road maintenance by a commensurate share agreement if a significant degree of traffic is generated that is not related to their activities.

13. 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. The lessee shall provide specific measures for the protection of escarpments, and determine corrective measures to assure that hazardous conditions are not created.

14. 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.

15. If removal of timber is required for clearing of construction sites, etc., such timber shall be removed in accordance with the regulations of the surface management agency.

16. The coal contained within, and authorized for mining under this lease, shall be extracted only by underground mining methods.

17. Existing Forest Service owned or permitted surface improvements will need to be protected, restored, or replaced to provide for the continuance of current land uses.

18. In order to protect big game wintering areas, elk calving and deer fawning areas, sagegrouse strutting areas, and other critical wildlife habitat and/or activities, specific surface uses outside the mine development area may be curtailed during specific periods of the year.

19. 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 a premining land use.

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20. 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 a professional land surveyor registered in the State of Utah and to the standards and guidelines found in the Manual of Surveying Instructions, U.S. Department of Interior.

21. The Lessee, at his expense, will be responsible to replace any surface and/or developed ground water sources identified for protection, that may be lost or adversely affected by mining operations, with water from an alternate source in sufficient quantity and quality to maintain existing riparian habitat, fishery habitat, livestock and wildlife use, or other land uses (authorized by 36 CFR 251).

22. The Licensee/Permittee/Lessee must comply with all the rules and regulations of the Secretary of Agriculture set forth at Title 36, Chapter II, of the Code of Federal Regulations governing the use and management of the National Forest System (NFS) when not inconsistent with the rights granted by the Secretary of the Interior in the license/permit/lease. The Secretary of Agriculture's rules and regulations must be complied with for (1) all use and occupancy of the NFS prior to approval of a permit/operation plan by the Secretary of Interior, (2) uses of all existing improvements, such as Forest Development Roads, within and outside the area licensed, permitted or leased by the Secretary of Interior, and (3) use and occupancy of the NFS not authorized by a permit/operation plan approved by the Secretary of the Interior.

All matters related to this stipulation are to be addressed to:

Forest Supervisor
Manti-LaSal National Forest
599 West Price River Drive
Price, Utah 84501

Telephone No.: 801-637-2817

who is the authorized representative of the Secretary of Agriculture.
23. 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 unrecovered 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 as approved will not attain MER as the result of changed conditions, the AO will give proper notice to the operator/lessee as required under applicable regulations. The AO will order a 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 unmined (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 unmined recoverable coal reserves shall become due and payable upon determination by the AO that the coal reserves have been rendered unminable 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.

24. 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.
25. 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 Authorized Officer may participate in this inspection. 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. Any on-lease disposal of non-coal waste must comply with 30 CFR § 817.89.

26. Due to the uncertainty of the amount of recoverable coal tons in this modification and the uncertainty in mining conditions, the lessee will pay the fair market value (FMV) for the coal resources mined in the area of Federal Coal Lease Modification (U-044076) at the rate of $0.25 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 lease bonus payment.
The United States of America

Canyon Fuel Company, LLC
Company or Lessee Name

[Signature of Lessee]
(Signature of Lessee)

[Title]
(Title)

4/10/2001
(Date)

By

[Signature of Signing Officer]
(Signing Officer)

Chief, Branch of Minerals Adjudication
(Title)

APR 19 2001
(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 EFFECTIVE:

JUL 17 2002

UTAH DIVISION OIL, GAS AND MINING
PRICE FIELD OFFICE
LAWRENCE RESERVOIR AREA TO BE SUBSIDED (NOT TO SCALE)