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Coastal
The Energy People

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DIV. OF OIL, GAS & MINING

November 18, 1996

James W. Carter, Director
Division of Oil, Gas, and Mining
1594 W. North Temple, Ste 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

Original to ACT/041/002 #2
Copy to ACT/007/005 #2
ACT/007/03 #2
ACT/007/018 #2
PRO/007/039 #2

Re: Application for Transfer of Mining Permits ACT/041/002 for the SUFCo Mine, ACT/007/005 for the Skyline Mine, ACT/007/018 for the Soldier Canyon Mine, ACT/007/034 for the Banning Loadout, and the Pending Application for the Dugout Canyon Mine

Copy Aaron & PAM

Dear Mr. Carter:

Please be advised that The Coastal Corporation and Coastal Coal, Inc. Have entered into a Purchase and Sale Agreement with Atlantic Richfield Company and Itochu Corporation for the merger of Coastal States Energy Company ("CSEC"), together with all of its subsidiaries, into Canyon Fuel Company, LLC. Canyon Fuel Company, LLC will then be sold to ARCO Uinta Coal Company, a fully owned subsidiary of Atlantic Richfield Company, and Itochu Coal International, a fully owned subsidiary of Itochu Coal Corporation. The anticipated closing date for this transaction is December 20, 1996.

CSEC is the parent corporation of the following subsidiaries, all of which will be merged into the Canyon Fuel Company, LLC: (1) Sage Point Coal Company; (2) Soldier Creek Coal Company, the subsidiary of Sage Point Coal Company; (3) Southern Utah Fuel Company; (4) Utah Fuel Company; (5) Skyline Coal Company; and (6) the Skyline Joint Venture in which CSEC and Skyline Coal Company are each 50 percent owners. Taken together, the coal mining operations of these entities are conducted under the following permits: (1) ACT/041/002 for the SUFCo Mine; (2) ACT/007/005 for the Skyline Mine; (3) ACT/007/018 for the Soldier Canyon Mine; and (4) ACT/007/034 for the Banning Loadout. Moreover, Soldier Creek Coal Company is the applicant and proposed permittee for the pending permit application dated March 15, 1996, for the Dugout Canyon Mine.

Pursuant to the above-referenced Purchase and Sale Agreement, application for permit transfers are being submitted on behalf of Canyon Fuel Company, LLC for each of the mining permits and the pending Dugout Canyon mining permit application. CSEC is aware of these permit transfer applications, has provided information for their preparation, and is otherwise in agreement that such transfers should occur, contingent upon closing of the transaction described above.

Coastal States Energy Company
A SUBSIDIARY OF THE COASTAL CORPORATION
6955 S UNION PARK CENTER • STE 550 • MIDVALE UT 84047

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We appreciate the Division's assistance in expediting the transfer applications to help assure that the proposed transaction goes forward on schedule.

Very truly yours,

Vernal J. Mortensen
Senior Vice President

VJM/ak

Subscribed and sworn before me this 18th day of November. 1996.

Annette F. Kennett
Notary Public
Residing at: Sandy UT

[SEAL]

Notary Public
ANNETTE F. KENNETT
175 East 400 South, Suite 800
Salt Lake City, Utah 84111
My Commission Expires
December 16, 1999
State of Utah

My Commission Expires: 12/16/99