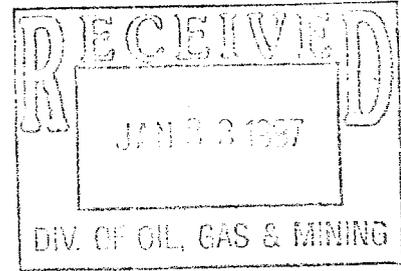


0073

FEDERAL
December 20, 1996

Permit



STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5289

This permit, ACT/007/005, is issued for the state of Utah by the Utah Division of Oil, Gas and Mining (DOGM) to:

Canyon Fuel Company, LLC
555 Seventeenth Street
Denver, Colorado 80202
(303) 293-7576

for the Skyline Mine. Canyon Fuel Company, LLC is the lessee of federal, state and fee-owned property. A performance bond is filed with the DOGM in the amount of \$3,180,00.00, payable to the state of Utah, Division of Oil, Gas and Mining and the Office of Surface Mining Reclamation and Enforcement (OSMRE). DOGM must receive a copy of this permit signed and dated by the permittee.

- Sec. 1 STATUTES AND REGULATIONS - This permit is issued pursuant to the Utah Coal Mining and Reclamation Act of 1979, Utah Code Annotated (UCA) 40-10-1 et seq, hereafter referred to as the Act.
- Sec. 2 PERMIT AREA - The permittee is authorized to conduct underground coal mining activities on the following described lands within the permit area at the Skyline Mine situated in the state of Utah, Carbon County, and located:

Township 13 South, Range 6 East, SLBM

All or portions of Sections 10, 11, 13, 14, 15, 22, 23, 24, 25, 26, 27, 34 and 35.

Township 13 South, Range 7 East, SLBM

All or portions of Sections 4, 5, 17, 18 and 19

This legal description is for the permit area of the Skyline Mine included in the mining and reclamation plan. The permittee is authorized to conduct underground coal mining activities connected with a preparation plant on the foregoing described property subject to the conditions of the leases, including all conditions and all other applicable conditions, laws and regulations.

- Sec. 3 **COMPLIANCE** - The permittee will comply with the terms and conditions of the permit, all applicable performance standards and requirements of the State Program.
- Sec. 4 **PERMIT TERM** - This permit becomes effective on December 20, 1996 and expires on April 30, 1997.
- Sec. 5 **ASSIGNMENT OF PERMIT RIGHTS** - The permit rights may not be transferred, assigned or sold without the approval of the Director, DOGM. Transfer, assignment or sale of permit rights must be done in accordance with applicable regulations, including but not limited to 30 CFR 740.13(e) and R645-303.
- Sec. 6 **RIGHT OF ENTRY** - The permittee shall allow the authorized representative of the DOGM, including but not limited to inspectors, and representatives of OSMRE, without advance notice or a search warrant, upon presentation of appropriate credentials, and without delay to:
- A. have the rights of entry provided for in 30 CFR 840.12, R645-400-110, 30 CFR 842.13 and R645-400-220; and,
 - B. be accompanied by private persons for the purpose of conducting an inspection in accordance with R645-400-100 and 30 CFR 842, when the inspection is in response to an alleged violation reported by the private person.
- SCOPE OF OPERATIONS** - The permittee shall conduct underground coal mining activities only on those lands specifically designated as within the permit area on the maps submitted in the mining and reclamation plan and permit application and approved for the term of the permit and which are subject to the performance bond.
- Sec. 7 **SCOPE OF OPERATIONS** - The permittee shall conduct underground coal mining activities only on those lands specifically designated as within the permit area on the maps submitted in the mining and reclamation plan and permit application and approved for the term of the permit and which are subject to the performance bond.
- Sec. 8 **ENVIRONMENTAL IMPACTS** - The permittee shall minimize any adverse impact to the environment or public health and safety through but not limited to:
- A. accelerated monitoring to determine the nature and extent of noncompliance and the results of the noncompliance;

- B. immediate implementation of measures necessary to comply; and
- C. warning, as soon as possible after learning of such noncompliance, any person whose health and safety is in imminent danger due to the noncompliance.

Sec. 9 DISPOSAL OF POLLUTANTS - The permittee shall dispose of solids, sludge, filter backwash or pollutants in the course of treatment or control of waters or emissions to the air in the manner required by the approved Utah State Program and the Federal Lands Program which prevents violation of any applicable state or federal law.

Sec. 10 CONDUCT OF OPERATIONS - The permittee shall conduct its operations:

- A. in accordance with the terms of the permit to prevent significant, imminent environmental harm to the health and safety of the public; and
- B. utilizing methods specified as conditions of the permit by DOGM in approving alternative methods of compliance with the performance standards of the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 11 EXISTING STRUCTURES - As applicable, the permittee will comply with R645-301 and R645-3023 for compliance, modification, or abandonment of existing structures.

Sec. 12 RECLAMATION FEE PAYMENT - The operator shall pay all reclamation fees required by 30 CFR part 870 for coal produced under the permit, for sale, transfer or use.

Sec. 13 AUTHORIZED AGENT - The permittee shall provide the names, addresses and telephone numbers of persons responsible for operations under the permit to whom notices and orders are to be delivered.

Sec. 14 COMPLIANCE WITH OTHER LAWS - The permittee shall comply with the provisions of the Water Pollution Control Act (33 USC 1151 et seq.) and the Clean Air Act (42 USC 7401 et seq), UCA 26-11-1 et seq, and UCA 26-13-1 et seq.

Sec. 15 PERMIT RENEWAL - Upon expiration, this permit may be renewed for areas within the boundaries of the existing permit in accordance with the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 16 CULTURAL RESOURCES - If during the course of mining operations, previously unidentified cultural resources are discovered, the permittee shall ensure that the site(s) is not disturbed and shall notify DOGM. DOGM, after coordination with OSMRE, shall inform the permittee of necessary actions required. The permittee shall implement the mitigation measures required by DOGM within the time frame specified by DOGM.

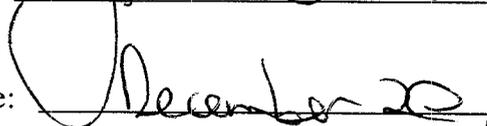
Sec. 17 APPEALS - The permittee shall have the right to appeal as provided for under R645-300.

The above conditions (Secs. 1-17) are also imposed upon the permittee's agents and employees. The failure or refusal of any of these persons to comply with these conditions shall be deemed a failure of the permittee to comply with the terms of this permit and the lease. The permittee shall require his agents, contractors and subcontractors involved in activities concerning this permit to include these conditions in the contracts between and among them. These conditions may be revised or amended, in writing, by the mutual consent of DOGM and the permittee at any time to adjust to changed conditions or to correct an oversight. DOGM may amend these conditions at any time without the consent of the permittee in order to make them consistent with any new federal or state statutes and any new regulations.

THE STATE OF UTAH

By: _____

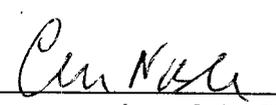
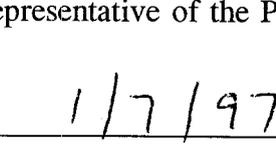
Date: _____

I certify that I have read, understand and accept the requirements of this permit and any special conditions attached.

Authorized Representative of the Permittee

Date: _____



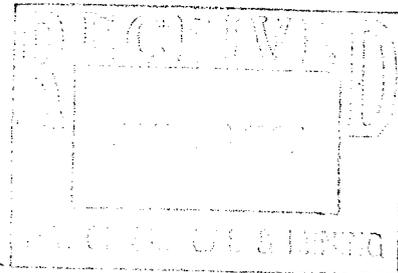
Legal
 555 Seventeenth Street
 Denver, Colorado 80202
 Telephone 303 293 4246
 Fax 303 293 4098

R. Kirk Mueller
 Senior Attorney

January 15, 1997

copy cover letter to 007/005
 Folder #2 007/018
 041/002
 007/034

Original permits to vault
 copy permits to folder #2
 + to permit binders,



cc: Pam

Daron Haddock
 Permit Supervisor
 Department of Natural Resources
 Division of Oil, Gas and Mining
 355 West North Temple
 3 Triad Center, Suite 350
 Salt Lake City, Utah 84180-1203

Re: Approvals for Transfer of Permits, Coastal States Energy Company to
 Canyon Fuel Company, LLC

Dear Mr. Haddock:

Enclosed for filing with your Division please find original, executed permits for
 the following Canyon Fuel Company, LLC mines:

- Skyline Mine ACT/007/005
- Soldier Canyon Mine ACT/007/018
- Convulsion Canyon Mine ACT/041/002
- Banning Loadout ACT/007/034

If you have any questions with respect to the transfer of permits, please feel free
 to contact me.

Very truly yours,

R. Kirk Mueller

RKM:klp

Enclosures

cc: K. Frame - Canyon Fuel Company

AFFIDAVIT OF PUBLICATION

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

STATE OF UTAH)

ss.

County of Carbon,)

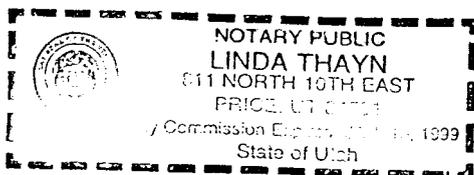
I, Kevin Ashby, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State and County aforesaid, and that a certain notice, a true copy of which is hereto attached, was published in the full issue of such newspaper for 1 (One) consecutive issues, and that the first publication was on the 3rd day of December, 1996 and that the last publication of such notice was in the issue of such newspaper dated the 3rd day of December, 1996.

Kevin Ashby
Kevin Ashby - Publisher

Subscribed and sworn to before me this 3rd day of December, 1996.

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

Publication fee, \$148.16



Notice is hereby given that Canyon Fuel Company, LLC, 555 Seventeenth Street, Denver Colorado 80202, on or about November 19, 1996, submitted an Application for Permit Transfer for Permit No. ACT/007/005, covering operations for the Skyline Mine, to the State of Utah, Department of Natural Resources: Division of Oil, Gas, and Mining. The current permittees, Coastal States Energy Company, Nine Greenway Plaza, Houston, Texas 77046, and Skyline Coal Company, 6955 Union Park Center Suite 550, Midvale, Utah 84047 will be merged into Canyon Fuel Company, LLC on or about December 20, 1996. In conjunction with the anticipated merger and change in the name of the owner of the mining operations, the Canyon Fuel Company, LLC filed the Application for Permit Transfer for the Skyline Mine permit in advance of closing to obtain approval for the transfer from the Division of Oil, Gas, and Mining.

Approval by the Division of Oil, Gas, and Mining will allow coal mining operations to continue in the permit area. The permit area is, except for a small tract leased from Carbon County, a part of the Manti-La Sal National Forest, four miles southwest of Scofield, Utah in Eccles Canyon. The entire property is within USGS 7.5 - minute "Scofield" Quadrangle map.

The mine permit covers some or all of the following:

Federal Lease	LEGAL DESCRIPTION	Issued To	Date of Issuance
Utah - 020305		Emmett K. Olson	3/1/62
Utah - 044076		Armeda N. McKinnon	9/1/65
Utah - 0142235		Malcolm N. McKinnon	10/1/64
Utah - 0147570		Malcolm N. McKinnon	5/1/65
Sec. 27:	Lots 1, 2, 3, 4, E-1/2, E1/2, E1/2 W-1/2); excluding Lawrence Reservoir;		
Sec. 34:	Lots 1, 2, 3, 4, 5, 6, 7, 8, and S-1/2 excluding Lawrence Reservoir;		
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 2357.82 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;		
Sec. 23:	W-1/2 E-1/2 and W-1/2; containing 2,092.70 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 and 8;		
Section 15:	NE-1/4, N-1/2 SE-1/4;		
Section 24:	NE-1/4 NW-1/4; containing 557.22 acres		
Carbon County Coal Lease			
Township 13 South, Range 6 East SLM			
Section 24: W-1/2 NE			

This permit also includes, in addition to federal coal leases, 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. Rights-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 loadout facility at the mouth of the canyon.

In addition to the above, the permit includes an area of leased surface rights for use as access roads and a waste site from the George Telonis estate, located in Township 13 South, Range 7 East SLM, Section 4: SW 1/4, NW 1/4, containing approximately 27.83 acres.

Electric Lake overlies about 38 acres of the Routt County Lease U-044076 and Scofield Reservoir lies about 4 1/2 miles to the northeast of the portal area.

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

Written comments, objections, and requests for informal conferences regarding the Application for Permit Transfer must be submitted, within 30 days of the date of the first publication of this notice on November 19, 1996, to the Utah Division of Oil, Gas, and Mining, 1594 West North Temple, Suite 1210, Box 155801, Salt Lake City, Utah 84114-5801. This notice corrects the address for Skyline Coal Company and the acreage actually subject to mining activities on Federal Lease Utah - 020305.

First published in the Sun Advocate on November 19, 1996.
Published in the Sun Advocate December 3, 1996.

AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

SS.

County of Carbon,)

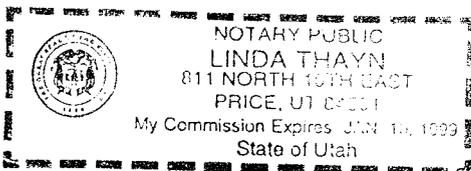
I, Kevin Ashby, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State and County aforesaid, and that a certain notice, a true copy of which is hereto attached, was published in the full issue of such newspaper for 1 (One)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

Kevin Ashby
Kevin Ashby - Publisher

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

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

Publication fee, \$142.75



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

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A legal description of the lands covered by the mine permit follows:

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Utah - 0142235	Malcolm N. McKinnon	10/1/64
Utah - 0147570	Malcolm N. McKinnon	5/1/65
Utah - 043120	Independent Coal and Coke Company	2/1/64

County Lease	Issued To	Date of Issuance
Carbon County Coal Lease	Kanawha and Hocking Coal and Coke Company	5/1/74

The legal description 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
Sec. 24: W-1/2 NW-1/4, SE-1/4 NW-1/4, S-1/2;
Sec. 25: All (Lots 1 thru 4, S-1/2 N-1/2, S-1/2);
Sec. 26: E-1/2 E-1/2;

containing 1,439.40 acres;

Federal Coal Lease Serial #Utah-044076

T. 13 S., R. 6 E., SL Meridian, Utah
Section 15: NE-1/4, N-1/2 SE-1/4,
Section 24: NE-1/4 NW-1/4;

containing 557.22 acres

Carbon County Coal Lease

Township 13 South, Range 6 East SLM
Section 24: W-1/2 NE

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Published in the Sun Advocate November 19, 1996.