

0003

Document Information Form

Mine Number: C/007/005

File Name: Internal

To: DOGM

From:

Person N/A

Company N/A

Date Sent: N/A

Explanation:

RECLAMATION AGREEMENT

cc:

File in:
C/007, 005, Internal

Refer to:

- Confidential
- Shelf
- Expandable

Date _____ For additional information

RECLAMATION AGREEMENT

This **RECLAMATION AGREEMENT** (hereafter referred to as "Agreement") is entered into by Canyon Fuel Company, LLC (hereafter referred to as the "Permittee") and the State of Utah, Department of Natural Resources, Division of Oil, Gas and Mining (hereafter referred to as the "Division").

For the purposes of this **AGREEMENT** the information provided below, shall constitute forms of definition or are for information regarding the Permittee or its operations.

"ACT": Title 40-10-1, et. seq., Utah Code Annotated (1953, as amended)

"BOND": A bond in compliance with Utah Administrative Rule 645-301-800, et. seq.

"BOND AMOUNT": \$3,180,000

"BOND TYPE": Surety

Bonding Company: United Pacific Insurance Company

Address: Reliance Surety Company
505 North Brand Blvd., #770
Glendale, CA 91203

Telephone Number: (818) 265-7550

"COMPANY OFFICERS": Richard D. Pick, Chief Executive Officer
Thomas F. Linn, Secretary
Chris M. Noble, Chief Financial Officer

"COOPERATIVE AGREEMENT": That certain agreement codified at 40 C.F.R. 944.30.

"DISTURBED AREA:" This term is as defined in Utah Administrative Code R645-100-200. The Permittee and the Division contemplate that the Disturbed Area will be as approved and shown in the Permit Application Package, but the Permittee's reclamation obligation and the bond related thereto are governed by applicable law.

File in:

- Confidential
- Shelf
- Expandable

Refer to Record No. 0003 Date _____

In C/ 007, 005, Internal

For additional information

"LIABILITY INSURANCE:"

Public liability insurance policy submitted as part of the permit application and attached as Exhibit "C".

Insurance Company:

Indemnity Insurance Co. of No. America

Address:

Johnson & Higgins of California
Casualty Department
2029 Century Park East
Los Angeles, CA 90067

Telephone Number:

(310) 551-4667

Policy Number:

ISL G1 423256-0

Expiration Date:

January 1, 1999

"MINE":

Skyline Mine

"OSM":

United States Department of the Interior,
Office of Surface Mining Reclamation and
Enforcement.

"PERMIT":

Utah Mining and Reclamation Permit No.
Act/007/005

"PERMIT AREA":

The area described in the Permit, which
includes the Mine.

"PERMIT TRANSFER APPLICATION (PTA)":

On November 19, 1996 the Permittee filed
an Application for Approval of the transfer
of Permit No. ACT/007/005, which was
approved, subject to conditions, on
December 20, 1996.

"PERMITTEE":

Principal Address:

Canyon Fuel Company, LLC
555 Seventeenth Street
Denver, CO 80202

Telephone Number:

(303) 293-7576

Utah Address:

175 East 400 South, Ste. 1800
Salt Lake City, UT 84111

**"PERMITTEE'S UTAH REGISTERED AGENT
FOR SERVICE OF PROCESS":**

Address: CT Corporation Systems
50 West Broadway
Salt Lake City, UT 84104

Telephone: (801) 531-7090

"REGULATIONS": The regulations promulgated by the Division and OSM pertaining to coal mining and reclamation activities.

"SMCRA": The Surface Mining Control and Reclamation Act of 1977, 30 U.S.C. §§ 1201, et. seq.

"SURETY": United Pacific Surety

The following Exhibits are incorporated within and made a part of this Agreement.

EXHIBITS:

| | |
|------------------------------|--------------------|
| "BONDED AREA" | Exhibit "A" |
| "BONDING AGREEMENT" | Exhibit "B" |
| "LIABILITY INSURANCE" | Exhibit "C" |

WHEREAS, on May 1, 1992 the Division issued a Permit No. ACT/007/005 to Coastal States Energy Company to engage in certain specified coal mining and reclamation operations (previously defined as the "Permit"); and

WHEREAS, on or about December 19, 1996 the Division approved the Permit Transfer Application (previously defined as the "PTA") submitted by "Permittee"; and

WHEREAS, prior to the transfer of the permit to conduct mining and reclamation operations on the property described in the Permit, the Permittee is obligated by the law, to file with the Division a bond ensuring the performance of the reclamation obligations in the manner and by the standards set forth by law; and

WHEREAS, the Permittee is ready and willing to file the Bond in the amount and in a form acceptable to the Division and to perform all obligations imposed by the Division pursuant to applicable laws under the Permit; and

WHEREAS, the Division is ready and willing to transfer the Permit to the Permittee upon acceptance and approval of the Bond.

NOW, THEREFORE, the Division and the Permittee agree as follows:

1. The provisions of SMCRA, the Act and the Regulations are incorporated by reference herein and hereby made a part of this Agreement. Provisions of the Act or Regulations and Rules shall supersede conflicting provisions of this Agreement.
2. The Permittee agrees to comply with all terms and provisions of this Agreement, the Permit (which is based upon the approved Permit Application Package), the Act and the Regulations, including the reclamation of all areas disturbed by surface coal mining and reclamation operations, despite the eventuality that the costs of actual reclamation exceeds the Bond Amount.
3. The Permit Application Package includes a legal description of the Permit Area, including the number of acres approved by the Division to be disturbed by surface mining and reclamation operations during the Permit period. For convenience, a copy of the description of the Permit Area is attached as Exhibit "A", and is incorporated by reference.
4. The Permittee agrees to provide a Bond to the Division and OSM in the form and amount acceptable to the Division ensuring the timely performance of the reclamation obligations in the manner and by the standards set forth in this Agreement, the Permit, (which is based upon the Permit Application Package), the Act and the regulations. The Bond is attached as Exhibit "B" and is incorporated by reference.
5. The Permittee agrees to maintain in full force and effect the Liability Insurance policy submitted as part of the Permit application and which is described in the attached Exhibit "C". The Division and OSM shall be listed as an additional insured on this policy.
6. In the event that the Permit Area and/or the Disturbed Area is increased through expansion of the coal mining and reclamation operations or decreased through partial reclamation, the Division shall adjust the Bond as appropriate in accordance with applicable law.
7. The Permittee does hereby agree to indemnify and hold harmless the State of Utah and the Division, and their respective employees and agents, from any claim, demand, liability, cost, charge, or suit initiated by a third party as a result of the Permittee or Permittee's agents or employees failure to abide by the terms and conditions of the approved Permit (which is based upon the approved Permit Application Package), and this Agreement. In the event the Cooperative Agreement is terminated, this paragraph will inure to the benefit of OSM with respect to Federal Lands, and otherwise to the benefit of the Division.

8. The terms and conditions of this Agreement are non-cancelable until such time as the Permittee has satisfactorily, as determined by the Division, reclaimed the Disturbed Area in accordance with this Agreement, the approved Permit (which is based upon the approved Permit Application Package), the Act, and the Regulations. Notwithstanding the above, the Division may direct, or the Permittee may request and the Division may approve a written modification to this Agreement in accordance with applicable law.
9. The Permittee may, at any time, submit a request to the Division to substitute the bonding method. The Division may approve the substitution if the new Bond form meets the requirements of the Act, and the Regulations, but no Bond shall be released until the Division has approved and accepted the replacement Bond.
10. This Agreement shall be governed and construed in accordance with the laws of the State of Utah. The Permittee shall be liable for all reasonable costs incurred by the Division to enforce this Agreement.
11. Any breach of the provisions of this Agreement, the Act, the Regulations, or the Permit (which is based upon the approved Permit Application Package) may, at the discretion of the Division, result in enforcement actions by the Division which include, but are not limited to, an order to cease coal mining and reclamation operations, revocation of the Permittee's Permit and forfeiture of the Bond.
12. In the event of forfeiture of the Bond, the Permittee agrees to be liable for additional costs in excess of the Bond Amount which may be incurred by the Division in order to comply with the Permit (which is based upon the approved Permit Application Package), the Act, and the Regulations. Any excess monies resulting from the forfeiture of the Bond, upon compliance with this Agreement, shall be refunded as directed by the Permittee or, if a dispute arises, as directed by a court of competent jurisdiction by interpleading the funds subject to the dispute.
13. No delay on the part of the Division in exercising any right, power, or privilege, under the Permit, the Bonding Agreement (Exhibit "B") and/or this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege thereof preclude other or further exercise of any right, power or privilege. The provisions of this Agreement are severable, and if any provision of this Agreement, or the application of any provision of this Agreement, to any circumstances is held invalid, the application of such provision to other circumstances, and the remainder of this Agreement, shall not be affected thereby.

14. Each signatory below represents that he/she is authorized to execute this Agreement on behalf of the named party. Proof of such authorization is provided on a form acceptable to the Division and is attached thereto.

SO AGREED this 13th day of December, 1996

STATE OF UTAH:



James W. Carter, Director
Division of Oil, Gas and Mining

PERMITTEE:

By: 

Chris M. Noble, Chief Financial Officer
Canyon Fuel Company, LLC

EXHIBIT "A"
PERMIT AREA
LEGAL DESCRIPTION

Permit Number ACT/007/005

Exhibit "A"
Permit Area

Legal Description of Permit Area covered by the Bond:

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

As described more precisely in the Skyline Mining and Reclamation Permit on file with the
Division of Oil, Gas, and Mining.

EXHIBIT "B"

SURETY BOND



Reliance

RELIANCE SURETY COMPANY
Philadelphia, Pennsylvania

RELIANCE INSURANCE COMPANY
Philadelphia, Pennsylvania

UNITED PACIFIC INSURANCE COMPANY
Philadelphia, Pennsylvania

RELIANCE NATIONAL INDEMNITY COMPANY
Philadelphia, Pennsylvania

08-500

RIDER

EXECUTED IN 2 COUNTERPART(S)

Permit Number: ACT/007/005

To be attached to and form a part of

Type of Bond: Federal Coal Bond (Reclamation)

Bond No. U605244-6

executed by COASTAL STATES ENERGY COMPANY, as Principal,

and by UNITED PACIFIC INSURANCE COMPANY, as Surety,
STATE OF UTAH, DEPARTMENT OF NATURAL RESOURCES, Division of Oil, Gas

in favor of and Mining; U.S. DEPARTMENT OF INTERIOR, Office of Surface Mining

and dated Reclamation and Enforcement, as Oblige(e)s
March 15, 1990

In consideration of the premium charged for the attached bond, it is hereby agreed to change:

| 1) THE NAME OF THE PRINCIPAL ON THE BOND | 2) THE BOND NUMBER ON THE BOND |
|--|--------------------------------|
| From: <u>COASTAL STATES ENERGY COMPANY</u> | From: <u>U605244-6</u> |
| <u> </u> | <u> </u> |
| To: <u>CANYON FUEL COMPANY, LLC</u> | To: <u>U2760729</u> |
| <u> </u> | <u> </u> |

The attached bond shall be subject to all its agreements, limitations and conditions except as herein expressly modified.

This rider is effective December 20, 1996

Signed and Sealed December 9, 1996

Principal: CANYON FUEL COMPANY, LCC

C. F. O.

C. F. O.

Title

UNITED PACIFIC INSURANCE

COMPANY

By: *Gary D. Furth*
Gary D. Furth Attorney-in-Fact

RIDER ACCEPTED (Please sign duplicate of this Rider and return to Surety)

OBLIGEE(S)
By: *[Signature]*
Date: December 20, 1996

**AFFIDAVIT OF QUALIFICATION
SURETY COMPANY**

-ooOOoo-

I, Gary Ditfurth, being first duly sworn under oath, deposes and says that he is the (officer or agent) Attorney-in-Fact of UNITED PACIFIC INSURANCE COMPANY, and that he is duly authorized to execute and deliver the foregoing obligations; and that said SURETY COMPANY is authorized to execute the same and has complied in all respects with the laws of Utah in reference to becoming sole surety upon bonds, undertakings and obligations herein.

(Signed) *Gary Ditfurth*
(Surety Company Officer)

Gary Ditfurth, Attorney-in-Fact

(Position)

Subscribed and sworn to before me this 9th day of December, 1996.

Maria Luisa Chua

Notary Public

Maria Luisa Chua

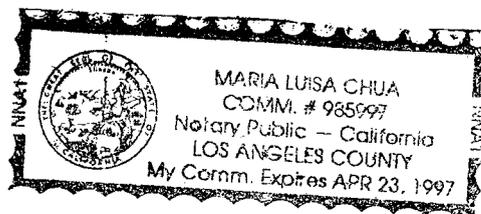
My Commission Expires: April 23, 1997

Comm. #985997

Attest:

STATE OF CALIFORNIA)

COUNTY OF LOS ANGELES)ss:



RELIANCE SURETY COMPANY
UNITED PACIFIC INSURANCE COMPANY

RELIANCE INSURANCE COMPANY
RELIANCE NATIONAL INDEMNITY COMPANY

ADMINISTRATIVE OFFICE, PHILADELPHIA, PENNSYLVANIA

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that RELIANCE SURETY COMPANY is a corporation duly organized under the laws of the State of Delaware, and that RELIANCE INSURANCE COMPANY and UNITED PACIFIC INSURANCE COMPANY, are corporations duly organized under the laws of the Commonwealth of Pennsylvania and that RELIANCE NATIONAL INDEMNITY COMPANY is a corporation duly organized under the laws of the State of Wisconsin (herein collectively called "the Companies") and that the Companies by virtue of signature and seals do hereby make, constitute and appoint Gary Ditfurth, of Glendale, California their true and lawful Attorney(s)-in-Fact, to make, execute, seal and deliver for and on their behalf, and as their act and deed any and all bonds and undertakings of suretyship and to bind the Companies thereby as fully and to the same extent as if such bonds and undertakings and other writings obligatory in the nature thereof were signed by an Executive Officer of the Companies and sealed and attested by one other of such officers, and hereby ratifies and confirms all that their said Attorney(s)-in-Fact may do in pursuance hereof.

This Power of Attorney is granted under and by the authority of Article VII of the By-Laws of RELIANCE SURETY COMPANY, RELIANCE INSURANCE COMPANY, UNITED PACIFIC INSURANCE COMPANY, and RELIANCE NATIONAL INDEMNITY COMPANY which provisions are now in full force and effect, reading as follows:

ARTICLE VII - EXECUTION OF BONDS AND UNDERTAKINGS

1. The Board of Directors, the President, the Chairman of the Board, any Senior Vice President, any Vice President or Assistant Vice President or other officer designated by the Board of Directors shall have power and authority to (a) appoint Attorney(s)-in-Fact and to authorize them to execute on behalf of the Company, bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, and (b) to remove any such Attorney(s)-in-Fact at any time and revoke the power and authority given to them.
2. Attorney(s)-in-Fact shall have power and authority, subject to the terms and limitations of the Power of Attorney issued to them, to execute deliver on behalf of the Company, bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof. The corporate seal is not necessary for the validity of any bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof.
3. Attorney(s)-in-Fact shall have power and authority to execute affidavits required to be attached to bonds, recognizances, contracts of indemnity or other conditional or obligatory undertakings and they shall also have power and authority to certify the financial statement of the Company and to copies of the By-Laws of the Company or any article or section thereof.

This Power of Attorney is signed and sealed by facsimile under and by authority of the following resolution adopted by the Executive and Finance Committees of the Boards of Directors of Reliance Insurance Company, United Pacific Insurance Company and Reliance National Indemnity Company by Unanimous Consent dated as of February 28, 1994 and by the Executive and Financial Committee of the Board of Directors of Reliance Surety Company by Unanimous Consent dated as of March 31, 1994.

"Resolved that the signatures of such directors and officers and the seal of the Company may be affixed to any such Power of Attorney or any certificates relating thereto by facsimile, and any such Power of Attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company and any such Power so executed and certified by facsimile signatures and facsimile seal shall be valid and binding upon the Company, in the future with respect to any bond or undertaking to which it is attached."

IN WITNESS WHEREOF, the Companies have caused these presents to be signed and their corporate seals to be hereto affixed, this July 19, 1996.



RELIANCE SURETY COMPANY
RELIANCE INSURANCE COMPANY
UNITED PACIFIC INSURANCE COMPANY
RELIANCE NATIONAL INDEMNITY COMPANY

Mark W. Alsup

STATE OF Washington }
COUNTY OF King } ss.

On this, July 19, 1996, before me, Janet Blankley, personally appeared Mark W. Alsup, who acknowledged himself to be the Vice President of the Reliance Surety Company, and the Vice President of Reliance Insurance Company, United Pacific Insurance Company, and Reliance National Indemnity Company and that as such, being authorized to do so, executed the foregoing instrument for the purpose therein contained by signing the name of the corporation by himself as its duly authorized officer.

In witness whereof, I hereunto set my hand and official seal.



Janet D. Blankley
Notary Public in and for the State of Washington
Residing at Puyallup

I, Robyn Layng, Assistant Secretary of RELIANCE SURETY COMPANY, RELIANCE INSURANCE COMPANY, UNITED PACIFIC INSURANCE COMPANY, and RELIANCE NATIONAL INDEMNITY COMPANY do hereby certify that the above and foregoing is a true and correct copy of the Power of Attorney executed by said Companies, which is still in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seals of said Companies this 9th day of December 1996.



Robyn Layng
Assistant Secretary

EXHIBIT "C"

LIABILITY INSURANCE

