

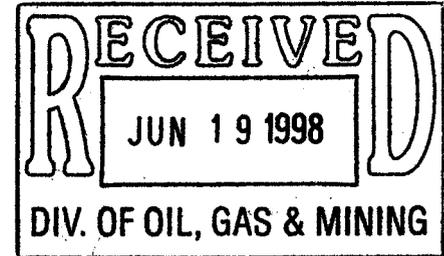


**CYPRUS PLATEAU
MINING CORPORATION**
A Cyprus Amax Company

Willow Creek Mine
847 Northwest Highway 191
Helper, Utah 84526
(435) 472-0475
Fax: (435) 472-4780

June 15, 1998

Daron R. Haddock
Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801



RE: Approval of Revised MRP, Cyprus Plateau Mining Corporation, Star Point Mine,
ACT/007/006-96C, File #7, Carbon County, Utah

Dear Mr. Haddock:

Regarding the aforementioned and the Division's May 27, 1998, letter discussing the technical analysis and conditions that must be met in order to be in compliance with the Utah Coal Regulatory Program requirements, below I am presenting Cyprus Plateau Mining Corporation's (CPMC) position for each of the conditions.

R645-301-411.140, no cultural or historic information could be found in the permit for structures within the disturbed area greater than 50 years. A survey performed by a permitted archeologist or historian must be conducted.

Sagebrush Consultants L.L.C. will be retained to perform the necessary inventory.

R645-301-412, comments from landowners identified in Section 112.500 supporting the post mining land use must be provided in the permit. No documentation could be found to request the power line road be left and who will accept the road liability and be responsible for any maintenance. Documentation for the railroad spur and spur road land use must be provided.

Regarding the power line corridor, "Right-of-Way No. 1262" dated January 11, 1971, grants Utah Power and Light an easement for the construction and continued maintenance and repair of a 46 KV transmission line.

Also regarding the power line road to be left, the "Right-of-way, Easement and Agreement" dated August 25, 1997, allows the Grantee (Carbon County) a right-of-way over and upon the Roadway Facilities Land and an easement over and upon the Electrical Facilities Land for the sole purpose, and for no other purpose, of allowing Grantee the right to construct, erect, operate, repair, and maintained Combined Facilities.

The supporting documents were part of the November 14, 1997, submittal.

Mr. Daron R. Haddock
June 15, 1998
Page 2

Regarding the railroad spur and spur road land use, enclosed is a letter from Mr. John E. West, III, Executive Vice President of Utah Railway Company, listing the various agreements and licenses between Utah Railroad and Cyprus. His letter states "Utah Railway Company owns the land and track and access road and does expect it to be returned in good condition with track and road in place following the removal of the silo, conveyors, and any other structures per the agreements."

Based on Mr. West's letter, it appears that some minor changes will need to be done regarding the reclamation plan at the silo area. The Star Point Mine Reclamation Plan shows reclamation work being performed on the silo pad outslope, but based on Mr. West's letter and recent telephone conversation, he stated that Cyprus can not do anything that would jeopardize the integrity on the track stability, therefore, Cyprus and the Division must reconsider the proposed reclamation action for this area.

A copy of Mr. West's letter is attached and will be incorporated along with other modifications to the reclamation plan.

R645-301-761, The proposal to leave a half round CMP for permanent reclamation for ditch #14 does not appear feasible without a maintenance overseer. The plans for reclamation of Ditch no. 14 must be revised to provide for permanent reclamation.

CPMC does not propose to leave in Ditch No. 14. This ditch will be removed along with the reclamation of Pond No. 6 and its access road. This is depicted on Map 542.200c. Also Map 761c shows SPRD-34, which is in the main drainage, going through the area that used to be pond 6 and will convey runoff as it did prior to mining. Therefore, Ditch No. 14 is not needed. Additionally, Table 761c lists all the culverts that were to remain after reclamation.

It is understandable how the Division might have thought that Ditch No. 14 was to remain when reviewing Map 761c, because it still shows the ditch. However, when reviewing the Map the legend identifies the reclamation channels with a light blue color using solid lines separated by three dots.

R645-301-763, The reclamation plan for sedimentation control for the refuse pile and road outslope is not complete. CPMC has submitted plans to remove sedimentation ponds, however an analysis of the timing of pond removal and containment volumes could exceed safe levels of sediment contribution standards. It appears that some of the sediment ponds mentioned above, other than Pond 5 (Map 731.720b) could be left intact until reclaimed slopes are shown to be stable. The permittee must provide plans and timetables for sediment pond removal which provide for sediment control throughout the reclamation phase.

Exhibit 542.200b, in the June 23, 1997, submittal, provides a comparison of pre-mining and immediate post-mining sediment yields using CPMC's proposed land treatment practices. Based on the sediment yield evaluation, there is a significant reduction between pre-mining and

Mr. Daron R. Haddock
June 15, 1998
Page 3

immediate post-mining values. Additionally, with respect to the refuse pile road outslope this road, as with all other reclaimed road outsoles, will be removed and reclaimed using the same land treatment practices prescribed for the entire property. Map 542.200c will be modified to reflect the removal of this roadway. This was an oversight on my behalf.

With respect to maintaining sediment ponds throughout Phase II, the sediment yield evaluation clearly show that our prescribed land treatment practices minimize the contribution of sediment to the stream flow. This proposed land treatment practice has been approved and implemented at the Castle Gate Mine's Sowbelly and Hardscrabble Canyon reclamation projects and has worked wonderfully. If additional treatment is required, in addition to the prescribed land treatment practices, silt fences and/or straw bales will be installed as necessary.

Again, if the Division has any further concern about our proposed land treatment practices, I suggest that we get together and visit Sowbelly and Hardscrabble Canyons to observe first hand our proposed land treatment practices, and witness how well it works.

Without CPMC's ability to remove the sediment ponds as proposed in the reclamation plan, the entire reclamation plan will need to be redone because the area needed for spreading of refuse and thereby flattening of the refuse pile will not be available and the needed fill material to backfill or partially backfill the various cuts will not be available during Phase I reclamation. Additionally, CPMC does not believe that redistributing a significant portion of the reclaimed revegetated area is in the best interest of the overall goal-revegetation success.

Regarding the timetable for removing the sediment ponds, Table 542.100a was revised and resubmitted with the November 14, 1997, submittal. Reclamation activities will be performed whereby sediment ponds can be maintained until it/they must be removed, thereby providing a secondary means of treatment for the reclaimed area(s). As shown on Table 542.100a, 6 of the 9 sediment ponds will remain in place until almost the very end.

R645-301-542, The reclamation topography maps must be revised to show all disturbed areas including islands of undisturbed areas within the disturbed areas. The maps must be dated, certified, and signed by the certifying official. The legend should be modified to state that partial backfilling will take place on certain highwall and cutslopes.

This is a very good idea and CPMC will modify its reclamation maps accordingly.

R645-301-830 and R645-301-850, The Permittee is required to post a bond of not less than \$12,413,000.

CPMC calculated its reclamation costs to be \$8,973,141 in 2002 dollars and prefers to stick with its cost because it believes that it has a better understanding on the true costs associated with reclamation.

Mr. Daron R. Haddock
June 15, 1998
Page 4

CPMC calculated its indirect cost percentage values using OSM's Handbook for Calculation of Reclamation Bond Amounts whereby indirect costs are determined using tables and graphs. CPMC does not know where the Division obtained their indirect cost percentage values. To just say that a 10% contingency is correct and not justify does not seem fair or proper, and then to go on and say that indirect costs are 35% of the direct costs without justification is also improper.

How can a permittee argue or defend its position when it doesn't even know where the Division is obtaining its information when it comes to indirect cost percentage values or have access to the Division's cost sheets for their review? Is it a secret like Area 51? The Permittee and Division need to be able to sing from the same sheet of music.

During CPMC's initial submittal on June 23, 1997, it proposed a reclamation cost of \$8,395,384 and subsequently increased it to \$8,973,141 in response to the Division's Technical Analysis dated September 5, 1997, which at that time calculated the reclamation costs to be \$11,686,000. Now the Division wants approximately \$800,000 more due to updated costs in the 1998 Means handbook and possible percentage value changes. It may be only coincidental, but CPMC and Division increased their calculations by 6.88% and 6.85%, respectively.

With all due respect, to say that the Division is correct and the Permittee in incorrect is like saying that the patient knows more about his/her illness than the doctor. Therefore, until the Division can show CPMC and articulate why it is correct and CPMC is incorrect, I do not see why CPMC should increase its reclamation costs by \$3,439,859 above what it calculated, especially when CPMC knows for a fact that it can reclaim the Star Point Mine for less money than what both calculated. Is it possible that the permittee and its consultant are so incompetent that they missed the boat by 32% or do just they have a better understanding of the business and equipment efficiencies associated with demolition, earthwork, and reclamation?

As a side note, if CPMC were to take the May 27, 1998, Technical Analysis literally (see page 2 of TA) then it would only have to post a bond for not less than \$1,241,300 if commas are to be inserted properly.

R645-301-232.720 and R645-300-112.400, The proposed topsoil borrow site (SW1/4, SW1/4 Section 2, T. 15 S., R. 8 E.) will be permitted during 1998 with completion by January 1, 1999.

CPMC will go out for bid on this project during month of July.

R645-301-746.110 and R645-301-746.120, With regards to the Main Channel Restoration Area, the plan states that prior to any coal waste being used as backfill within the main channel or it's side slope, the coal waste will be tested for acid- and toxic- forming characteristics in accordance with Division guidelines. However, the plan gives no specifics to sampling procedures. CPMC commits to a monitoring scheme which consists of taking three randomly located samples every 500 feet within the channel bottom where leaching will likely occur. Analysis will include Acid Base Potential, soluble Se and B, pH, EC, and SAR.

Mr. Daron R. Haddock
June 15, 1998
Page 5

CPMC will commit to such monitoring within the channel bottom and will modify its Plan accordingly.

R645-301-356, The revegetation success standard for the Forest Service Fan Sites must be based on a cover and production standard meeting 90 percent of the undisturbed. The permit states that the success standard for these areas is Forest Service approval. Forest Service approval is an additional requirement.

Ms. Susan White, Mr. Patrick Collins (Mt. Nebo), and myself plan on hiking down to these sites during the summer to visually inspect the fan sites and evaluate the revegetation success objectives.

CPMC would be most appreciative if the Division could extend the June 30, 1998, submittal of the clean copies until July 30, or until all the minor changes to the Plan are agreed upon, completed, and approved. I will be on vacation from June 19 - 26, and will be unable to meet the Division's prescribed deadline. As it is the Division's desire, it is also CPMC's to finalize the reclamation plan so that when the Star Point Mine closes, reclamation activities can commence as soon as possible and under an approved Plan.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Johnny Pappas
Sr. Environmental Engineer

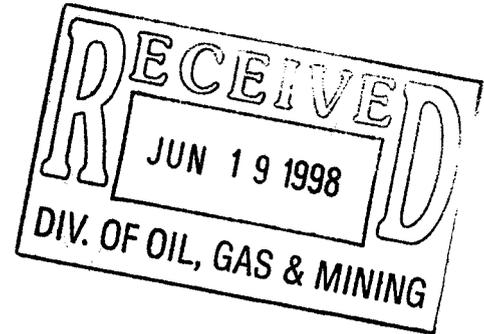
Enclosure

File: 4.1.6.1
Chrono: JP980602.LTR

UTAH RAILWAY COMPANY

340 HARDCRABBLE ROAD
P.O. BOX 281
HELPER, UTAH 84526
Phone (801) 472-3407
FAX (801) 472-3744

June 6, 1998



Mr. Johnny Pappas
Cyprus Amax Plateau Mining Company
P. O. Drawer PMC
Price, UT 84501

Re: Ownership of track and road at Wattis Junction loadout silo location

Dear Mr. Pappas:

Confirming our telephone conversation of June 5, 1998, Utah Railway Company owns the siding track and right of way and access road at Wattis Junction, the location of your company's loadout silo. The siding track and access road are outside the scope of your reclamation except as per agreement between our respective companies as follows:

An agreement titled "Private Access Road and Crossing Agreement" dated July 1, 1984 allowed your company to build a crossing across our tracks at Mile Post 18.78. Section 7 reads "Upon termination of this Agreement, Plateau shall, at its sole expense, remove the crossing and restore the premises, including track structure, to as good condition as they were in at the time of the construction of the crossing."

**Under "License to Access URC Maintenance Road" dated January 1, 1985 Utah Railway granted your company the right to use and maintain the access road to the Silo location. Section 3 thereto reads, in part: "...Upon termination of this License, operation and maintenance of the roadway shall be the sole responsibility of Utah Railway."
A Bill of Sale was issued and signed on August 28, 1990 which deeded the siding track to Utah Railway pursuant to a Construction Agreement dated July 1, 1984.**

Under the Trackage Lease Agreement dated July 1, 1984, Section 12 reads, in part "Plateau shall return the leased property to Railway in the same condition as when originally obtained, except for normal wear and tear and trackage in existence or subsequently constructed.Plateau shall remove any structures or equipment that Plateau placed on the leased property, other than trackage, at Plateau's expense, providing Plateau returns the leased property and the trackage to Railway undamaged."

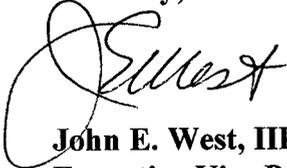
Under "License (Conveyors)" dated July 1, 1984, Section 14, "...Licensee shall remain

liable and be bound by all the provisions of this License until Licensee, at its expense, has removed from over licensor's tracks and roadbed said Conveyors and shall have restored the tracks and roadbed to their former state and condition to the satisfaction of Licensor..."

As for the Silo, the "Lease: Silo Location" dated July 1, 1984 provides for the removal in Section 20 as follows: "...Lessee shall...(a) remove from the Leased Premises at the expense of the Lessee all improvements, structures and other property, not belonging to the Lessor, and (b) restore the surface of the ground to as good a condition as the same was in before such structures were erected, including among other things the filling in of all excavations and pits, and the removal of all debris and rubbish, all at the Lessee's expense. Lessee shall only be obligated to remove foundations to a depth of two (2) feet below ground level, unless otherwise required by law."

In summation, Utah Railway Company owns the land and track and access road and does expect it to be returned in good condition with track and road in place following the removal of the silo, conveyors, and any other structures per the agreements. I trust this information will be useful in your planning for removal of the specified structures from Utah Railway Company property.

Sincerely,



John E. West, III
Executive Vice President