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State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

James W. Carter
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340
801-359-3940 (Fax)
801-538-5319 (TDD)

June 5, 1996

Bennett Bayer
Emerson & Bayer
301 East Main Street, Suite 1100
Lexington, Kentucky 40507

Re: Reclamation Agreement, Hiawatha Mine, U.S. Fuel Company, ACT/007/011, Folder #2, Carbon County, Utah

Dear Mr. Bayer:

I am enclosing the finalized Reclamation Agreement for the permit transfer of the Hiawatha Mine from U.S. Fuel Company to American Fuel Corporation.

If you have any questions, please call me.

Sincerely,

Pamela Grubaugh-Littig
Permit Supervisor

Enclosure

State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
1594 West North Temple
Suite 1210
P. O. Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5289

AMERICAN FUEL CORPORATION
COAL RECLAMATION AGREEMENT

(Federal)

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Permit Number: ACT/007/011
Date Original Permit Issued: March 13, 1992
Effective Date of Agreement: _____

RECLAMATION AGREEMENT

This **RECLAMATION AGREEMENT** (hereafter referred to as "Agreement") is entered into by AMERICAN FUEL CORP. (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":	Two Million Eight Hundred Thirty-eight Thousand Dollars ($2,838,000).
"BOND TYPE":	Surety
Bonding Company:	ACSTAR Insurance Company
Address:	233 Main Street, P.O. Box 2350, New Britain CT
Telephone Number:	1-860-224-2000
"COMPANY OFFICERS":	Robert T. Barra, Pres. Elizabeth Buccigrossi, Secretary/Treasurer
"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.
"LIABILITY INSURANCE":	Public liability insurance policy submitted as part of the permit application and attached as Exhibit "C".
Insurance Company:	Federal Insurance Co.
Address:	c/o Chubb Group 15 Mountain View Road, Warren, N.J. 07059
Telephone Number:	
Policy Number:	3710-45-85
Expiration Date:	August 16, 1996

"MINE":	Hiawatha Mines Complex - as described more particularly in Permit Number ACT/007/011.
"OSM":	United States Department of the Interior, Office of Surface Mining Reclamation and Enforcement.
"PERMIT":	Utah Mining and Reclamation Permit No. ACT/007/011
"PERMIT AREA":	The area described in the Permit, which includes the Mine.

"PERMIT TRANSFER APPLICATION (PTA)":
On March 14, 1995 the Permittee filed an Application for Approval of the transfer of Permit No. ACT/007/011, which was approved, subject to conditions on April 26, 1995.

"PERMITTEE":	American Fuel Corp.
Principal Address:	8 West 38th Street, 10th Floor, New York, NY 10018
Utah Address:	P.O. Box 279, Price, Utah 84501
Telephone Numbers:	New York - 1-212-302-7389, Fax 1-212-302-7837 Utah - 1-801-637-2252, Fax 1-801-637-1070

"PERMITTEE'S UTAH REGISTERED AGENT FOR SERVICE OF PROCESS":
Larry Reed, Crother & Reed
Parkview Plaza, Building C, Suite 200
Salt Lake City, Utah 84124
1-801-262-0669

"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":	ACSTAR Insurance Company

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 March 13, 1987 the Division issued a Permit No. ACT/007/011 to U.S. Fuel Company to engage in certain specified coal mining and reclamation operations (previously defined as the "Permit"); and

WHEREAS, on April 26, 1995 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. The 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 _____ day of _____, 19___

STATE OF UTAH:

_____
Director
Division of Oil, Gas and Mining

PERMITTEE: **AMERICAN FUEL CORP.**

By: _____
Robert T. Barra, President

NOTE: An **Affidavit of Qualification** must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Agreement. If the Principal is a corporation, the Agreement shall be executed by its duly authorized officer.

EXHIBIT "A"

PERMIT AREA

LEGAL DESCRIPTION

Permit Number _____

Exhibit "A"
PERMIT AREA

Legal Description of Permit Area covered by the Bond:

NOTE: In the event that more than one Bond is provided for the Permit Area, the Permittee must provide a map and legal description for each sub area of the Permit Area for which each Bond is provided.

EXHIBIT "B"

SURETY BOND
(FEDERAL COAL)

Exhibit "B" - **BONDING AGREEMENT**
SURETY BOND

Prior Permit Number: ACT/007/011

SURETY BOND
(FEDERAL COAL)
--oo00oo--

THIS SURETY BOND entered into and by and between the undersigned **PERMITTEE/PRINCIPAL**, and **SURETY,** hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors and assigns unto the State of Utah, Division of Oil, Gas and Mining (hereafter referred to as the **"DIVISION"**), and the U.S. Department of the Interior, Office of Surface Mining Reclamation and Enforcement (hereafter referred to as **"OSM"**) in the penal sum of Two Million Eight Hundred Thirty-eight Thousand Dollars ($2,838,000) (Surety Bond Amount) for the timely performance of reclamation responsibilities of the Permittee in the Permit Area described in Exhibit "A" of that certain Reclamation Agreement, dated the _____ day of _____ _____, 1996 by and between the **DIVISION** and the **PERMITTEE/PRINCIPAL.**

This **SURETY BOND** shall remain in effect until all of the **PERMITTEE's/PRINCIPAL's** reclamation obligations have been met and released by the **DIVISION** with the concurrence of **OSM** and is conditioned upon faithful performance of all of the requirements of the Utah Coal Mining Reclamation Act, Utah Code Ad. § 40-12-2 et. seq. (the **"ACT"**), the Surface Mine Control and Reclamation Act (**"SMCRA"**), and all lawful regulations adopted under the authority of those statutes, and the approved Permit (which is based upon the approved Permit Application Package).

The **SURETY** will not cancel this bond at any time for any reason, including non-payment of premium or bankruptcy of the **PERMITTEE/PRINCIPAL** during the period of liability.

The **SURETY** and their successors and assigns, agree to guarantee the obligation and to indemnify, defend, and hold harmless the **DIVISION** and **OSM** from any and all expenses which the **DIVISION** may sustain as a result of the **PERMITTEE's /PRINCIPAL's** failure to comply with the condition(s) of the reclamation obligation.

The **SURETY** will give prompt notice to the **PERMITTEE/PRINCIPAL**, the **DIVISION** and **OSM** of any notice received or action alleging the insolvency or bankruptcy of the **SURETY**, or alleging any violations or regulatory requirements which could result in suspension or revocation of the **SURETY's** license.

Upon incapacity of the **SURETY** by reason of bankruptcy, or suspension or revocation of license, the **PERMITTEE/PRINCIPAL** shall be deemed to be without Bond coverage in violation of state and federal law and subject to enforcement in accordance with SMCRA, the Act, and the applicable Regulations.

The terms for release of this **BOND** are as written and agreed to by the **DIVISION** and the **PERMITTEE/PRINCIPAL** in the **RECLAMATION AGREEMENT**, (effective date of _____ _____, 19____) incorporated by reference herein, to which this **SURETY AGREEMENT** has been attached as Exhibit "B".

In the event the Utah Cooperative Agreement is terminated, this **SURETY BOND** shall be payable only to the OSM to the extent that lands covered by the Federal Lands Program are involved and otherwise to the **DIVISION**.

IN WITNESS WHEREOF, The **PERMITTEE/PRINCIPAL** has hereunto set its signature and seal this _____ day of _____, 19____.

AMERICAN FUEL CORP. PERMITTEE/PRINCIPAL

By: _____
Robert T. Barra
Title: President

State of _____)

County of _____)ss:

IN WITNESS WHEREOF, AMERICAN FUEL CORP. the **PERMITTEE/PRINCIPAL** has through Robert T. Barra, its President, authorized to act on its behalf, set its signature and seal this _____ day of _____, 19____.

Subscribed and sworn to before me this _____ day of _____, 19_____

_____
Print Name

_____
Notary Public

My Commission Expires: _____, 19___.

_____
ACSTAR INSURANCE COMPANY SURETY

By: _____

Title: _____

State of _____)

County of _____)ss:

IN WITNESS WHEREOF, ACSTAR INSURANCE COMPANY the **SURETY** has through _____, its _____ authorized to act on its behalf, set its signature and seal this _____ day of _____, 19____.

Subscribed and sworn to before me this _____ day of _____, 19_____.

_____
Print Name

_____
Notary Public

My Commission Expires: _____, 19___.

SURETY BONDING AGREEMENT ACCEPTED BY THE STATE OF UTAH:

_____

Director
Division of Oil, Gas and Mining

IN WITNESS WHEREOF, the **UTAH DIVISION OF OIL, GAS AND MINING**, has through **JAMES CARTER**, its Director, authorized to act on its behalf, set its signature and seal this _ _____ day of _____, 19____.

Subscribed and sworn to before me this _____ day of _____, 19_____

_____
Print Name

_____
Notary Public

My Commission Expires: _____, 19___.

NOTE: An **Affidavit of Qualification** must be completed and attached to this form for each authorized agent\or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with the Agreement. If the **PERMITTEE** is a corporation, the Agreement shall be executed by its duly authorized officer.

EXHIBIT "C"

LIABILITY INSURANCE
(FEDERAL COAL)

Certificate of Liability Insurance
Issued To:
State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
--oo00oo--

THIS IS TO CERTIFY THAT:

FEDERAL INSURANCE CO.
c/o Chubb Group
15 Mountain View Road
Warren, N.J. 07059

HAS ISSUED TO:

AMERICAN FUEL CORP.
Hiawatha Mines Complex
PERMIT NO. ACT/007/011

CERTIFICATE OF INSURANCE:

3710-45-85	August 16, 1995
(Policy Number)	(Effective Date)

UNDER THE FOLLOWING TERMS AND CONDITIONS:

Per R645-301-890 Terms and Conditions for Liability Insurance:

A. The **DIVISION** shall require the **PERMITTEE** to submit as part of its Permit a certificate issued by an insurance company authorized to do business in the State of Utah certifying that the applicant has a public Liability Insurance policy in force for the surface coal mining and reclamation operations for which the Permit is sought. Such policy shall provide for personal injury and property damage protection in an amount adequate to compensate any persons injured or property damaged as a result of the surface coal mining and reclamation operations, including the use of explosives, and who are entitled to compensation under the applicable provisions of state law. Minimum insurance coverage for bodily injury and property damage shall be $300,000 for each occurrence and $500,000 aggregate.

B. The policy of Liability Insurance shall be maintained in full force during the life of the Permit or any renewal thereof, including the liability period necessary to complete all reclamation operations under this chapter.

C. The policy shall include a rider requiring that the insurer notify the Division whenever substantive changes are made in the policy including any termination or failure to renew.

IN ACCORDANCE WITH THE ABOVE TERMS AND CONDITIONS, and the Utah Code Annotated 40-10-1 et. seq., the Insurance Company hereby attests to the fact that coverage for said Permit Application is in accordance with the requirements of the State of Utah and agrees to notify the Division of Oil, Gas and Mining in writing of any substantive change, including cancellation, failure to renew, or other material change. No change shall be effective until at least thirty (30) days after such notice is received by the Division. Any change unauthorized by the Division is considered a breach of the **RECLAMATION AGREEMENT** and the Division may pursue remedies thereunder.

UNDERWRITING AGENT:

RICHARD HATFIELD
(Agent's Name)

606-273-6600
(Phone)

Accordia of Lexington, Inc.
(Company Name)

Lexington Green Two, Suite 410, 3201 Nicholasville Road
(Mailing Address)

Lexington, KY 40503-3311
(City, State, Zip Code)

The undersigned affirms that the above information is true and complete to the best of his/her knowledge and belief, and that he/she is an authorized representative of the above-named insurance company. (An **Affidavit of Qualification** must be completed and attached to this form for each authorized agent or officer.)

_____
(Date, Signature and Title of Authorized Agent of Insurance Company)

Signed and sworn to before me by _____

this _____ day of _____, 19_____.

_____
(Signature)

My Commission Expires: _____
(Date)

AFFIDAVIT OF QUALIFICATION
PERMITTEE
--oo00oo--

I, ROBERT T. BARRA, being first duly sworn under oath, deposes and says that he/she is the President of AMERICAN FUEL CORP., the **PERMITTEE**; and that he is duly authorized to execute and deliver the foregoing obligations; and that said **PERMITTEE** is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.

_____
ROBERT T. BARRA, PRESIDENT
AMERICAN FUEL CORP.

Subscribed and sworn to before me this _____ day of _____, 19___.

_____
Notary Public

My Commission Expires: _____

Attest:

STATE OF _____)

COUNTY OF _____)ss:

AFFIDAVIT OF QUALIFICATION
SURETY COMPANY
--oo00oo--

I, _____, being first duly sworn under oath, deposes and says that he/she is the (officer or agent) _____ ____ of _____; and that he/she 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.

_____
(Surety Company Officer)

_____
(Position)

Subscribed and sworn to before me this _____ day of _____, 19___.

_____
Notary Public

My Commission Expires: _____

Attest:

STATE OF _____)

COUNTY OF _____)ss:

POWER OF ATTORNEY

POWER OF ATTORNEY
--oo00oo--

AMERICAN FUEL CORP., having its principal office in New York City, NY, does hereby make, constitute and appoint **ACSTAR INSURANCE COMPANIES** (Attorney[s]), as its true and lawful Attorney(s)-in-fact in their separate capacity, if more than one is named above, to make, executive, sign, seal and delivery for and on its behalf as surety and as its act and deed (without power of redelegation) any and all bonds and undertakings and other writings obligatory in the nature thereof provided in the amount of no one bond or undertaking exceeding $ _____.

The execution of such bonds and undertakings shall be as binding upon said **AMERICAN FUEL CORP.**, as fully and to all intents and purposes as if the same had been duly executed and acknowledged by its regularly elected officers.

IN WITNESS THEREOF, this _____ day of _____, 19____

_____
Secretary

_____
President

Subscribed and sworn to before me this _____ day of _____, 19___

_____
Notary Public

My Commission Expires: _____

Attest:

STATE OF _____)

COUNTY OF _____)ss: