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State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

1694 West North Temple, Suite 1210
PO Box 145601
Salt Lake City, Utah 84114-5601
(801) 538-5340 telephone
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Michael O. Leavitt
Governor
Robert L. Morgan
Executive Director
Lowell P. Braxton
Division Director

INCOMING
C0070011

June 26, 2003

Elliott Finley, Resident Agent
Hiawatha Coal Company
P.O. Box 1245
Huntington, Utah 84528

Re: Signed Reclamation Agreement - Needs Affidavit of Qualification- Request for Exhibit A and Exhibit D, Nevada Electric Investment Company, Hiawatha Mine, C/007/011, Outgoing File

Dear Mr. Finley:

Enclosed please find the Reclamation Agreement for the Hiawatha Mine. Please sign the agreement where noted. The Division has updated Exhibit A, which requires the appropriate parties to sign as well. Additionally, please complete Exhibit D and the Affidavits of Qualification. Please return all of these signed documents by August 15, 2003.

If you have any questions, please feel free to call me at (801) 538-5268. Thank you.

Sincerely,

Pamela Grubaugh-Littig
Permit Supervisor

an

Enclosure

cc: Joe Helfrich

Price Field Office

O:\007011\HIA\FINAL\ReqexhibitA&D.doc

Utah!

Where ideas connect

RECEIVED

AUG 05 2003

DIV. OF OIL, GAS & MINING

EXHIBIT "A"

**Bonded Area
Legal Description**

(Federal Coal)

Exhibit "A"
Legal Description
Federal
Bond Number _____

EXHIBIT "A"

Pursuant to R645-301- 820.110, the surety bond covers an identified increment of land within the permit area upon which the operator will initiate and conduct coal mining and reclamation operations during the initial term of the permit. This area is identified as:

Map(s) showing the BONDED AREA within the approved PERMIT AREA :

Legal description of BONDED AREA:

The above described area shall be modified as necessary to correspond to an increase in the area disturbed as a result of an expansion of coal mining and reclamation operations, or as a result of material surface damage that is caused by a result of subsidence. The described area may also be decreased as a result of partial reclamation.

IN WITNESS WHEREOF the SURETY has hereunto set its signature and seal this

_____ day of _____, 2003

SURETY

By:

Title:

EXHIBIT "D"

**Stipulation to Revise
Reclamation Agreement
(Federal)**

Exhibit "D"
Stipulation to Revise
Reclamation Agreement
Federal

Permit Number: _____
Effective Date: _____
Bond Number: _____

COAL
STIPULATION TO REVISE RECLAMATION AGREEMENT
--000000--

This **STIPULATION TO REVISE RECLAMATION AGREEMENT** entered into by and between the **PERMITTEE** and **DIVISION** incorporates the following revisions or changes to the **RECLAMATION AGREEMENT**: (Identify and Describe Revisions below)

In accordance with this **STIPULATION TO REVISE RECLAMATION AGREEMENT**, the following Exhibits have been replaced by the **PERMITTEE** and are approved by the **DIVISION**.

_____ Replace the Reclamation agreement in its entirety.

_____ Replace Exhibit "A"- permit area.

_____ Replace Exhibit "B"- bonding agreement

_____ Replace Exhibit "C"- liability insurance

The bonding amount is revised from \$ _____ to \$ _____.

The bonding type is changed from _____ to _____.

The surface disturbance is revised from _____ acre to _____ acres.

The expiration date is revised from _____ to _____.

The liability insurance carrier is changed from _____ to _____.

The amount of insurance coverage for bodily injury and property damage is changed from \$ _____ to \$ _____.

Exhibit "D"
Stipulation to Revise
Reclamation Agreement
Federal

IN WITNESS WHEREOF, _____ the PERMITTEE has hereunto set
its signature and seal this _____ day of _____, 20__.

PERMITTEE

By: _____

Title: _____

ACCEPTED BY THE STATE OF UTAH this ___ day of _____, 20__.

Director,
Division of Oil, Gas and Mining

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 or Attorney of a company, such Power of Attorney must be filed with this Agreement. If the PERMITTEE is a corporation, the Agreement shall be executed by its duly authorized officer.

**AFFIDAVITS
OF
QUALIFICATION**

Bond Number _____

**AFFIDAVIT OF QUALIFICATION
DIRECTOR
-ooOOoo-**

Lowell Braxton, being first duly sworn under oath, deposes and says that he is the Director for the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah; and that he is duly authorized to execute and deliver the foregoing obligations; and that said Director is authorized to execute the same by authority of laws on behalf of the State of Utah.

Director,
Division of Oil, Gas and Mining

Subscribed and sworn to before me this _____ day of _____ 20 _____.

Notary Public

My Commission Expires:

_____, 20 _____.

Attest:

STATE OF _____)

) ss:

COUNTY OF _____)

Permit Number: _____

Date Original Permit Issued: _____

Effective Date of Agreement: _____

**RECLAMATION AGREEMENT
STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801
(801) 538-5340**

COAL RECLAMATION AGREEMENT

-ooOoo-

This RECLAMATION AGREEMENT (hereafter referred to as "Agreement") is entered into by Hinwatha Coal Co. (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.

"PERMIT": (Mine Permit No.) C/007/011 (County) Carbon

"MINE": (Name of Mine) Hinwatha Mine Complex

"PERMITTEE": (Company or Name) Hinwatha Coal Company

(Address) P.O. Box 1202 Huntington, UT 84528

"PERMITTEE'S REGISTERED AGENT":

(Name) Elliot Finley

(Address) P.O. Box 1202 Huntington, UT 84528

(Phone) 435-637-1778

"DESIGNATED OFFICAL TO SIGN BODING INSTRUMENTS AND PERMIT":

(Name) C.A. Gustafson, Secretary

(Phone) _____

"BOND TYPE": (Form of Bond) Surety

"BOND AMOUNT": (Bond Amount-Dollars) 2,638,000

(Escalated Year-Dollars) _____

"BOND NUMBER": 5005519

"INSTITUTION": (Bank or Agency) Bank One Utah

POLICY OR ACCOUNT NUMBER": CLS 0900016 XX

"LIABILITY INSURANCE": (Exp.) 1-27-04

(Insurance Company) Scottsdale Insurance Company

"STATE": _____

"DIVISION": _____

"DIVISION DIRECTOR": _____

EXHIBITS:

- "BONDED AREA" Exhibit "A"
- "BONDING AGREEMENT" Exhibit "B"
- "LIABILITY INSURANCE" Exhibit "C"
- "STIPULATION TO CHANGE BOND" Exhibit "D"

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

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 Bonded 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 Bonded Area is attached as Exhibit "A", and is incorporated by reference.
4. The Permittee agrees to provide a Bond to the Division 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 shall be listed as an additional insured on this policy.
6. In the event that 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. In the event of material damage to the surface lands, or contamination, diminution or interruption of a protected water supply, caused by subsidence from underground coal mining, the Permittee shall increase the bond amount in any amount as required by the Division in accordance with R645-301-525.550.
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 _____, 20_____.

STATE OF UTAH:

Director,
Division of Oil, Gas and Mining

PERMITTEE:

By: Elliot Finley
Title: Pres

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.

**RECLAMATION AGREEMENT
(COAL)**

**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) 538-5340**

Federal

CONTENTS:

Reclamation Agreement

Exhibit "A"
Bonded Area

Exhibit "B"
Bonding Agreement
Surety Bond

Exhibit "C"
Liability Insurance

Affidavits of Qualification

Power of Attorney

Exhibit "D"
Stipulation to Revise Reclamation Agreement