

FEB 15 2001

DIVISION OF
OIL, GAS AND MINING

3482

(UT-070)



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Price Field Office
125 South 600 West
Price, Utah 84501

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

FEB 13 2001

Copy to Daron
Haddock

Re: Lila Canyon Road, Utah American Energy, Inc. (UEI), Horse Canyon Mine, C/007/013-SR98(1)-5, Outgoing File

Dear Mr. Haddock:

We have reviewed your November 29, 2000, letter regarding the transportation and access routes to the proposed Lila Canyon Mine. Emery County entered into an agreement (enclosed) October 19, 1999 concerning the disposition of the road. This is in Appendix 1-4 of their submittal. In addition, in Appendix 4-2 is the letter from Emery County (enclosed) giving UEI approval to place mine facilities within 100 feet of a county road under Road Encroachment Ordinance 8-7-85A. The BLM will issue the ROW for the Lila Canyon Road to Emery County.

It is the BLM's contention that the Lila Canyon Road is a county road which will be built and maintained by Emery County for the use of the general public as well as UEI.

If you have any comments or questions, please contact George Tetreault at the Price Field Office at 636-3604.

Sincerely,

Richard L. Manus
Field Manager

2 Enclosures

1. Agreement
2. Letter

cc: UT-931, SD, Utah (w/enclosures)
Office of Surface Mining
Western Support Center
1999 Broadway, Suite 3320
Denver, CO 80202-5733 (w/enclosures)

AGREEMENT

This agreement made and entered into this 19 day of October 1999, by and between Emery County, a body corporate and politic (County), and UtahAmerican Energy, Inc. (UEI).

WHEREAS, there is an existing road in Emery County known as Lila Canyon Road (#126) and

WHEREAS, UEI requires extensive use of said road, and

WHEREAS, due to said extensive use, said road must be improved for the health, safety and welfare of the citizens of County as well as others who may have occasion to use said road,

NOW THEREFORE, be it agreed as follows:

1. The parties hereto agree and acknowledge that presently the southwest portion of the road known as Lila Canyon Road is a County road. Said County road runs from State Route 6 in a Northeasterly direction for approximately 2.63 miles to a presently existing corral. Thereafter the road is an unimproved RS 2477 roadway under assertion by Emery County with the Bureau of Land Management (BLM) and identified as assertion #144 lower Lila point, #155 Lila Canyon and #326 Lila Canyon Lila Pt. The Assertions were indexed and submitted to BLM Jan. 8, 1993.
2. That Emery County will improve the Lila Canyon Road according to the plans and specifications as approved by Johansen & Tuttle Engineering, Inc., as Emery County's engineers of record.
3. The parties shall enter into an Escrow Agreement. Johansen & Tuttle Engineering, Inc. estimates for such improvements are shown in attachment A. Estimates for each phase shall be carefully reviewed and brought up to date before funds are put in escrow prior to initiation of the individual phases. UEI and Emery County shall jointly agree in writing before beginning any specific phase. No phase shall commence before the required funds for that specific phase is in escrow. Each phase once initiated shall be completed.
4. Insofar as the road will be used by the public for access to private and public lands and by UEI for access and construction of the Lila Canyon mine, and insofar as improvement of the Roadway would not otherwise be a budgeted item for Emery County given other priorities for highway maintenance or reconstruction, it has been agreed between Emery County and UEI that the total cost of the reconstruction of the county road shall be the responsibility of UEI. Upon satisfactory completion by both parties of each phase, any remaining unspent funds in escrow shall remain sole property of UEI.

5. UEI will assist the County in obtaining additional road ROW's as required. The newly applied for BLM, ROW #UTU- 76617, now in the EA process will, be issued and assigned to Emery County.
6. Emery County shall make available at no cost, any native rock or dirt materials available on County or otherwise permitted local properties which might be suitable for road construction.
7. UEI shall acquire an Encroachment Permit from Emery County and comply with the conditions as set forth in the permit. It is agreed that when UEI is operating any coal mining or reclamation activity within 100' of a County road that UEI shall protect the public from normal hazards associated with said activity by installing a 6' chain link fence between the public and mine activity or facility situated within the 100' distance from the road unless as otherwise agreed to by Emery County through its Road Encroachment Ordinance 8-7-85A or as amended.
8. It is further agreed by Emery County that in consideration of UEI's contributions, Emery County agrees and acknowledges that said contribution does not in any manner constitute participation by UEI in the design, construction, maintenance or operation of the road except as otherwise agreed by both parties. The road will remain a County network road entirely under authority of Emery County. Furthermore, Emery County agrees to indemnify and hold UEI, its owners, directors, officers, employees, and agents (indemnitees) harmless of any liability, cost or expense, including defense costs, from any claim, demand or action which may be brought alleging negligence or responsibility on the part of indemnitees in the design or construction of the roadway, including any claim or demand which may be made by UEI employees. This obligation to indemnify and hold harmless commences immediately and includes the period of time during which construction is taking place.

Emery County agrees that it will fully cooperate with UEI should any explanation of this expenditure by UEI be required by any of the commissions which regulate UEI operations and/or any government agency which may inquire or investigate into the expenditure of UEI.

EMERY COUNTY



Commission Chairman

Attest:



Emery County Clerk

Subscribed and sworn to before me this 19th day of October, 1999.



Carol D. Cox
Notary Public

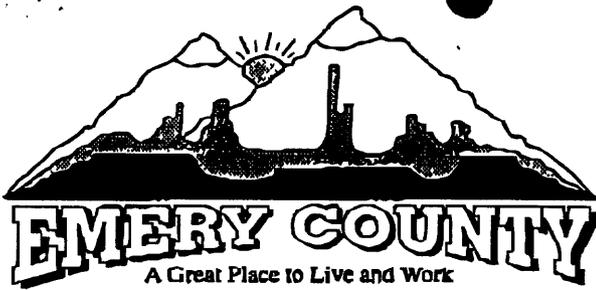
UtahAmerican Energy, Inc.

H. H. Hayden, President
Hershel H. Hayden, President

Subscribed and sworn to before me this 26th day of October, 1999.



Janet A. King
Notary Public



Road Department

January 10, 2001

Utah American Energy, Inc.
Environmental Industrial Service
31 North Main Street
Helper, Utah 84501

To Whom It May Concern:

Emery County has approved a Large Site Development Plan for the Utah American Energy, Inc. Lila Canyon Mine surface facilities.

Said approval authorizes mining activities to be conducted within 100 feet of the public road with the provision that, to provide for public safety, a 6 foot chain link fence shall be constructed adjacent to the road right-of-way in the vicinity of the surface facilities area.

Additionally, the location of the fence must not restrict continued public use of the road.

Sincerely,

Rex Funk,
Road Supervisor

RF/ls

cc Val Payne, Public Lands
Commissioners
Bryant Anderson, Planning & Zoning
Lowell Braxton, Division of Oil, Gas and Mining