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RECEIVED

February 15, 2002

FEB 19 2002

DIVISION OF
OIL, GAS AND MINING

Mr. Lowell Braxton
✓ Ms. Mary Ann Wright
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84108

Via: Overnight Delivery

*Including
C/007/013
Copy Mary Ann,
Bara, Pam*

Dear Mr. Braxton and Ms. Wright:

As President of UtahAmerican Energy, Inc. ("UEI"), I want to express my extreme disappointment regarding the Utah Division of Oil, Gas and Mining's (the "Division, DOGM") decision to require UEI to republish the Lila Canyon Mine permit (the "Permit"). UEI would prefer that the Division simply reissue the Permit without republication, which clearly fulfills all the requirements of the law.

Over the past several weeks, it appeared that UEI and the Division were working well together on developing a strategy to address the remand of the Permit by the December 14, 2001 order (the "Order") of the Board of Oil, Gas, and Mining ("BOGM"). UEI supported the Division's petition to BOGM for rehearing and submission of a revised technical analysis ("TA"), dated January 9, 2002. UEI appreciates the substantial effort which the Division made over the holiday season in responding to the Order and preparing the TA. However, BOGM's denial of the rehearing petition on January 23, 2002, has resulted in the Division's abandonment of the strategy to reissue the permit in favor of republication. UEI is concerned that the time wasted with the republishing process is consistent with the goals of the Southern Utah Wilderness Alliance ("SUWA"). The Permit has already been published, consistent with procedures

governing significant permit revisions which are identical to those governing new permits. We feel strongly that a simple re-issuance of the Permit on the basis of the TA would be a much better response to the Order, and to SUWA.

We estimate that republication will delay issuance of a permit to mine at the Lila Canyon for a minimum of six months, and possibly well into 2003. DOGM appropriately issued the Lila Canyon Mine permit in accordance with its rules in July, 2001. The revised TA submitted to BOGM in January, 2002 thoroughly addresses the concerns set forth in BOGM's December 14th Order and supports reissuance of the Permit. UEI urges the Division to stand by this decision.

The ability of UEI to timely meet federal diligence requirements is severely impacted by the delay associated with republication of the permit. If we do not complete our due diligence on the federal leases, that make up the mineral holdings of UEI, we will lose those leases. UEI must produce approximately 300,000 tons of coal before February, 2005, in order to retain these leases. With the continued permitting delays, this date may not be met. As you know, we have applied to the Bureau of Land Management ("BLM") for an extension of the federal lease diligence deadline. While we believe that the BLM will grant an extension, as of today, no extension has been granted. UEI must assume that the extension WILL NOT be granted until BLM takes action to the contrary.

In addition to the diligence problem, we have an even more serious problem with marketing coal from an unpermitted mine. Strides to market UEI coal have been diminished due to the negative press coverage related to BOGM's December 14, 2001 Order.

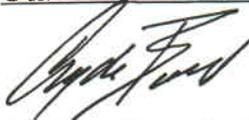
If the Lila Canyon Mine is not opened due to the continued permitting delays, the real loser is not UEI. While UEI will have lost millions of dollars, the people of Emery and Carbon Counties, as well as the State of Utah, will have

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lost an opportunity for a stable, long term base of employment. We estimate that the direct payroll at UEI would be in excess of \$9 million per year once the Lila Canyon Mine reaches production levels of 4 million tons of coal. In addition, the indirect impact to Utah's economy would be much greater. University studies have shown that 10 indirect jobs result for each full time coal mining job. The Lila Canyon Mine could have a huge positive impact on the economy of Emery and Carbon Counties.

Again, UEI is very disappointed with your decision to require republication of the Permit. We urge the Division to reconsider its approach and reissue the Permit on the basis of the revised TA.

Sincerely,
UtahAmerican Energy, Inc.



Clyde I. Borrell
President