

0006

Mine file - Soldier Creek 007/018  
#2

# SC<sup>3</sup> SOLDIER CREEK COAL CO.

cc S. Loomis

VB

Telephone (801) 637-6360

P.O. Box 1  
Price, Utah 84501

May 2, 1989

Edward W. Bonner  
Minerals Section Manager  
Department of Natural Resources  
355 West North Temple  
3 Triad Center  
Salt Lake City, UT 84180-1204

**RECEIVED**  
MAY 03 1989

DIVISION OF  
OIL, GAS & MINING

Dear Mr. Bonner:

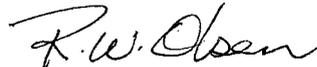
Please find enclosed partially executed duplicate documents related to Mineral Lease Application No. 44365 on behalf of Soldier Creek Coal Company.

It is my understanding, based upon your letter dated April 19, 1989, that you will execute both documents and return one to me.

Thank you for your assistance in this matter.

Sincerely,

SOLDIER CREEK COAL COMPANY



R. W. Olsen  
President

RWO/sm

Enclosure

Form Dated July 23, 1984

PROOF READ DD BP

MINERAL LEASE NO. \_\_\_\_\_

MINERAL LEASE APPLICATION NO. 44365

GRANT: SCH

UTAH STATE LEASE FOR  
COAL

THIS UTAH STATE MINERAL LEASE AND AGREEMENT entered into and executed in duplicate as of the 3rd day of April, 1989, by and between the STATE OF UTAH, acting by and through the BOARD OF STATE LANDS & FORESTRY and DIVISION OF STATE LANDS & FORESTRY, DEPARTMENT OF NATURAL RESOURCES, with the office located at 355 West North Temple, 3 Triad Center, Suite 400, Salt Lake City, Utah 84180-1204, hereinafter called the "LESSOR," and

Soldier Creek Coal Company  
P. O. Box I  
Price, UT 84501

(whether one or more individuals, corporation, or other entities) with business office or address as shown above, hereinafter called the "LESSEE,"

WITNESSETH:

That the State of Utah as Lessor, for and in consideration of the fees, rents, royalties, and any other financial consideration paid or required to be paid by Lessee, and the terms and conditions to be performed by Lessee as hereinafter set forth, does hereby GRANT AND LEASE to the Lessee the exclusive right and privilege to explore for, drill for, mine, remove, and dispose of the particular mineral described in Article I hereof, hereinafter called the "leased substances," situated within the boundaries of the following-described tract of land (extending vertically downward from the surface) in Carbon County, State of Utah, to-wit:

Township 13 South, Range 12 East, SLB&M.

Section 5: Lots 3, 4, SW $\frac{1}{4}$

Section 6: Lots 1, 2, 3, 4, 5, 6, E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$

containing 557.20 acres, more or less.

This Mineral Lease is granted for and in consideration of and subject to all of the terms, provisions, and conditions hereinafter set forth:

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## ARTICLE I. MINERALS COVERED BY THIS LEASE

This Mineral Lease covers the following-described leased mineral substances within the boundaries of the above-described lands, to-wit:

COAL, which shall mean and include black or brownish-black solid fossil fuel that has been subjected to the natural processes of coalification, and which falls within the classification of coal by rank: I Anthracite, II Bituminous, III Sub-Bituminous, IV Lignitic.

In the event Lessee, or the operator or any contractor for Lessee, shall discover within said lands some mineral or minerals other than the mineral or leased substance covered by this lease, Lessee shall promptly notify the Lessor of the kind or nature of such mineral not included in this lease.

## ARTICLE II. PRIMARY TERM AND POSSIBLE EXTENSION OF TERM OF LEASE

This lease is granted for a primary term of TEN (10) years commencing on the first day of the month following the date hereinabove first written and as long thereafter as the leased substances shall be produced in commercial quantities from the above-described lands, on condition that Lessee shall perform the terms and provisions required to be performed by Lessee including payment of rents and royalties within the times required herein; provided however, that it is expressly agreed that at the end of each period of ten (10) years following the effective date of this lease, the State of Utah as Lessor shall have the right to readjust the terms and conditions of this lease as may then be determined to be in the best interest of the State of Utah as trustee-owner of the mineral estate. In the event of failure or refusal of the Lessee to accept and agree to the readjustment of the terms and conditions submitted by Lessor at the end of such ten (10)-year period, such failure or refusal to accept such readjustment of terms, conditions, or royalty shall operate to forfeit any right to extension of the term of this Mineral Lease and terminate this lease except for the rights of the State of Utah to recover any royalties then owing the State and/or any damages for which Lessee may be liable. This lease will not be extended beyond the end of the twentieth year except by the production of the leased substances in commercial quantities from the leased lands. If Lessee ceases production of leased substances in commercial quantities this lease will terminate one (1) year from the date of last commercial production, unless Lessee commences commercial production at least three (3) months prior to the end of such year and such commercial production then continues for at least six (6) months.

## ARTICLE III. APPLICABLE LAWS AND REGULATIONS

This lease is issued pursuant to the provisions of Title 65, Utah Code Annotated, 1953, as amended, and subject to all valid Rules and Regulations and requirements adopted by the Board of State Lands & Forestry, and of the Board of Oil, Gas, and Mining, applicable to the subject matter of this lease, together with all requirements of the Utah Coal Mining and Reclamation Act, the Utah Mined Land Reclamation Act, all requirements of the State Antiquities Act, Title 63, Chapter 18, and all valid rules and regulations relating to safety, sanitation, and health whether under the jurisdiction of the Division of Oil, Gas, and Mining with respect to operations under this lease or under the jurisdiction of some other State agency.

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## ARTICLE IV. RIGHTS TO THE SURFACE ESTATE

If the surface estate of all or some portion of the hereinabove-described lands is owned by the Lessor, Lessee shall be entitled to use reasonably and prudently such portions of the surface estate owned by Lessor as shall be reasonably necessary to explore and prospect for, mine, drill, remove, and dispose of the leased mineral substances, including permission to establish and maintain in a safe condition on the surface estate owned by Lessor, access roads, communication lines, tanks, pipelines, reservoirs, mills, processing plants, reduction works, dumps, and other essential structures, facilities, machinery, and equipment, reasonably necessary and expedient for the economic operation of the leasehold and in furtherance of production, treatment, and disposition of the leased substances under this lease. Such surface uses shall be exercised subject to the rights reserved to the State of Utah as provided in Article V hereof, and without unreasonable interference with the rights of any prior or subsequent lessee of the State of Utah under the program of multiple use.

If the surface estate of any portion of the described lands is not owned by the State of Utah, except for a reserved right of entry to the mineral estate or mineral estates, the Lessee may exercise such right of entry to the mineral estate covered by this lease, at the sole cost and expense of Lessee herein and without cost to the State of Utah. If any damage is caused directly or indirectly to the surface estate by the Lessee or by the contractor or operator for Lessee, Lessee shall make proper restitution and indemnify the surface owner or owners. Lessee also shall make proper rehabilitation as required by the Utah Coal Mining and Reclamation Act, and the Utah Mined Land Reclamation Act and as required by all lawful rules and regulations adopted thereunder.

Lessor will require a bond to be posted or other security given to the State to be filed with Lessor or any other State agency or officer in a principal amount determined by Lessor to be adequate to assure appropriate reclamation and restitution for any damage to the surface estate.

## ARTICLE V. EXCEPTIONS AND EXCLUSIONS FROM LEASE

Lessor hereby excepts and reserves from the operation of this lease the following rights and privileges:

FIRST: The right to establish rights of way and easements on, through, or over the land above described, for utility corridors and for joint or joint and several uses, as may be necessary and appropriate for the management of the above-described lands and other lands of Lessor or lands administered by Lessor, and for the working of other deposits within said lands under mineral leases granted to others under the program of multiple use.

SECOND: The right to issue mineral leases to other lessees covering minerals not included in this lease, under such terms and conditions which will not unreasonably interfere with operations under this lease in accordance with the principle of multiple use provided by law.

THIRD: In the event Lessor owns the surface estate in said lands or portions of said lands above described, Lessor retains the right to use, lease, sell, or otherwise dispose of the surface estate in said lands or any part thereof, under existing State

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laws or laws subsequently enacted, insofar as such surface is not essential for the Lessee herein in exploration, prospecting for, mining, drilling, removal, or disposal of the leased substances covered by this lease, to the extent that such use, lease, or sale of the surface estate does not unreasonably interfere with the rights granted to the Lessee herein. Lessor shall notify Lessee herein of any such sale, lease, use, or other disposition of the surface estate.

#### ARTICLE VI. PAYMENT OF RENTALS AND ROYALTIES

For and in consideration of the leasehold rights granted to the Lessee, in addition to all other terms and conditions required to be performed by the Lessee, the Lessee hereby covenants and agrees with Lessor to pay rentals and royalties as follows:

FIRST: Lessee agrees to pay Lessor as rental for the land covered by this lease the sum of One Dollar (\$1.00) per acre and for each fractional part of an acre, each year in advance on or before the first day of the month following the anniversary date of this lease, except the rental for the first year which has been paid with the application for this lease. All rentals paid shall be credited against actual Production Royalties for the lease year in which they shall accrue, but such rentals shall not be credited against the Minimum Royalties under subparagraph "Fourth" of this ARTICLE VI.

SECOND: (a) Lessee shall pay lessor a production royalty on the basis of 8% of the market price, including all bonuses and allowances received by Lessee, f.o.b. the nearest point of sale of the first marketable product or products produced from the leased substances and sold under a bonafide contract of sale, whether or not such product or products are produced through chemical or mechanical treating or processing of the leased substances raw material. It is expressly understood and agreed that none of Lessee's mining or product cost, including but not limited, to material costs, labor costs, overhead costs, distribution costs, or general and administrative costs may be deducted from market price f.o.b. the point of sale in computing Lessor's royalty. All such costs shall be entirely borne by Lessee and are anticipated by the rate of royalty assigned in his agreement.

(b) If the coal is washed or otherwise treated, royalty shall be paid on the basis of its value as washed or treated coal. Lessee shall maintain accurate records of the amount of coal washed or treated and report on the sale price or sale value of the washed coal or treated coal.

(c) If the Lessee produces any liquid or gaseous hydrocarbon, sulphur, any other substance by any in-situ process for treatment of the coal in place, whether by chemical or mechanical means or a combination of chemical and mechanical means, during first five years, the royalty shall be eight percent (8%) of the gross value of such product or products.

(d) In the event Lessee shall utilize the unwashed coal, or washed or treated coal, or some product thereof developed under subparagraph (c) hereinabove, whether for the development of electricity or other forms of energy or development of other products or uses, Production Royalty shall be computed as provided in (a) of paragraph SECOND of this article, on the market value of the unwashed coal at the mine and on the market value of the washed or otherwise treated coal under subparagraph (b) hereof and on the market value of the developed product or products under subparagraph (c) hereof.

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THIRD: Payment of Production Royalty shall be made by the Lessee to Lessor, as herein required, on or before the last day of the month next succeeding the month during which the coal is shipped, sold, processed, or used. In connection with such payment of Production Royalty, the Lessee shall submit to Lessor a certified statement of the coal produced; shipped; sold; processed; or used; including unwashed coal, washed, or otherwise treated coal; coal developed into liquid or gaseous products; or other commercial products by in-situ process or treatment, mined, or extracted from the hereinabove described lands, together with such other information required by the Board of State Lands & Forestry to verify production and disposition of the coal or coal products from the leased premises.

FOURTH: Lessee may maintain this lease in force beyond the primary term of ten (10) years from the effective date of this lease by paying Lessor, in addition to rentals and Production Royalties as hereinabove required, an annual minimum royalty of three (3) times the annual rental, providing the Lessee is engaged in diligent operations, exploration, research, or development activity which is reasonably calculated to advance development or production of the mineral covered by the lease from the leased premises or lands pooled or unitized with or constituting of an approved mining or drilling unit in respect to the leased premises. Said annual minimum royalty shall be paid each year in advance, commencing with the eleventh year of the lease, along with the regular annual rental required to be paid under the terms of this lease. Said rental per acre and said Minimum Royalty shall be paid on each and every acre in this lease to extend the term of this lease and to keep this lease in force and effect.

Rentals and Minimum Royalties paid annually shall be credited against actual Production Royalties for the year in which they accrue during the original term, or any extension thereof; but annual rentals shall not be credited against Minimum Royalties.

#### ARTICLE VII. MINERAL TITLE OF LESSOR

Lessor claims title to the mineral estate covered by this lease. Lessor does not warrant title nor represent that no one will dispute the title asserted by Lessor. It is expressly agreed that Lessor shall not be liable to Lessee for any alleged deficiency in title to the mineral estate, nor shall Lessee or any assigns of the Lessee become entitled to any refund for any rentals, bonuses, or royalties paid under this lease.

#### ARTICLE VIII. WATER RIGHTS

In the event Lessee shall initiate any water rights on the leased premises, such right shall become an appurtenance to the leased premises; and upon surrender, cancellation, or termination of this lease, Lessee or assigns of Lessee shall assign and convey such water rights and any application for appropriation of water to beneficial use relating to the land or the mineral estate covered by this lease to Lessor.

If the Lessee shall purchase or otherwise acquire any water rights on some other land and file with the State Engineer appropriate application for change of use onto the premises covered by this lease, the Lessor herein shall have an option for 45 days after the expiration, surrender, or termination of this lease to purchase said otherwise acquired water rights at the acquisition costs of the Lessee. Such option shall begin to run from the date of termination, surrender, or expiration of this lease or from the date when Lessee shall specify in writing the acquisition costs of such other water

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rights, whichever date is the later date. Unless Lessor accepts such written offer to convey such rights at the actual acquisition costs within said period of 45 days, Lessor shall be deemed to have rejected the offer. Upon payment of the said acquisition costs by the Lessor, Lessee herein shall assign and transfer such acquired water rights to the Lessor.

#### ARTICLE IX. WRITTEN CONSENT REQUIRED FOR ASSIGNMENT OR SUBLEASE

Lessee shall not assign this lease nor any portion thereof, nor any rights or privileges herein granted, without the prior written consent of Lessor. Nor shall the Lessee issue any sublease without the prior written consent of Lessor. Any assignment of lease and any sublease issued without prior written consent of Lessor shall be void ab initio.

In the event Lessor shall approve an assignment of this lease or of any part hereof, such assignment shall be subject to all of the terms, conditions, and obligations of the Lessee herein set forth. All of the terms, covenants, conditions, and obligations of the Lessee shall be binding upon the heirs, executors, administrators, successors, and assigns of the Lessee. This provision also shall apply to any sublease issued by Lessee and approved by Lessor.

#### ARTICLE X. OVERRIDING ROYALTY LIMITATION

Neither the Lessee nor the assignee of Lessee shall create or grant any overriding royalty except as permitted by law and by the Rules and Regulations of the Board of State Lands & Forestry. Overriding royalty assignments shall not become effective, even if otherwise valid, until filed with the Lessor.

#### ARTICLE XI. SURRENDER OR RELINQUISHMENT OF LEASE

Lessee may surrender this lease for cancellation by Lessor as to all or any part of the leased lands, but not for less than a quarter-quarter section or surveyed lot, upon payment of all rentals, royalties, and other amounts then due and owing to the Lessor, by filing with Lessor a written relinquishment. As to rental, such relinquishment shall be effective on the date of filing, but otherwise on the date of cancellation by the Lessor.

#### ARTICLE XII. NOTICE OF COMMENCEMENT OF OPERATIONS, PLANS, PLATS, BOND

Not less than sixty (60) days before commencement of exploration, drilling, or mining operations, Lessee shall give written notice hereof to the Division of State Lands & Forestry and the Division of Oil, Gas, and Mining, together with a plan of operations and a topographic map showing every proposed shaft, tunnel, open pit, drill site, and access road to be used. Lessor shall make an assessment of such plan of operation and either endorse or stipulate changes in Lessee's plan of operation, or request additional information within the sixty (60) day notification period. Lessee shall not proceed with the execution of any such plan of operation without first receiving the written approval of Lessor. Lessee shall maintain at the mine office clear, accurate, and detailed maps of all actual and planned operations on a scale of not more than 50 feet to the inch, with points coordinated with public land surveys showing distance to the nearest public survey monument or reestablished survey corner.

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Such maps and plats shall be on tracing cloth or other material which is substantially permanent and of which clear and distinct photo copies or blueprints can be readily made without unreasonable delay. Such maps or plats shall show the workings from time to time, as the same are extended. In the event that the operations on the above-described leasehold are intended to be conducted in conjunction with adjacent lands, whether Federal, State, or privately-owned lands, the map and plats shall clearly show how the operations are to be coordinated. All surveys shall be conducted by a licensed surveyor or engineer qualified to practice in Utah. All such maps or plats shall be certified by the surveyor or engineer preparing the same. The State or any agency of the State of Utah, including the Division of Oil, Gas, and Mining, shall be entitled to a true and correct copy thereof, together with the proposed plans of operation.

After Lessor receives notice of intent to commence mining operations, upon request of the Lessor, the Lessee shall furnish a bond with an approved corporate surety company authorized to transact business in the State of Utah, or such other security acceptable to the Lessor, in an amount to be determined by Lessor, after taking into account the value of the land and the amount of potential damage which likely will result from such proposed mining operations, and which bond or other security shall be conditioned upon payment of all rentals and royalties from the leasehold and other sums which may become payable to the Lessor, and to assure full compliance with the terms and conditions of this lease and compliance with all Rules and Regulations of the Board of State Lands & Forestry and all Rules and Regulations of any other State agency having jurisdiction over mining operations, and also conditioned upon payment of all damages to the surface and improvements thereon if this lease covers surface estate or some portion of the surface estate which has been sold or otherwise leased, and any damage caused by Lessee to any other lessee of the State of Utah with respect to said land. Such bond or other security furnished prior to commencement of development of the leasehold may be increased in such reasonable amounts as the Lessor may require after discovery of any of the leased substances.

If the plan of mining development or mining operations includes core-drilling, the plan of operations shall disclose the locations of core-drilling operations.

#### ARTICLE XIII. ALL OPERATIONS TO BE CONDUCTED IN A LAWFUL, PRUDENT MANNER

Lessee shall conduct all operations under this lease in a lawful, prudent, and good workmanlike manner for the effective and safe production of the mineral substances covered by this lease, and to avoid unnecessary damage and injury to the leasehold estate, and also to avoid damage and wastage of other natural resources not covered by this lease. All operations of Lessee, whether conducted directly by Lessee or by operators or contractors, shall be at the sole cost and expense of Lessee.

It is expressly covenanted and agreed that Lessor does not grant Lessee or any person dealing with Lessee any right to subject the property hereinabove described, nor any leased substances, to any lien-rights for labor or mechanic's liens, nor to any materialmen's liens, nor to any other lien for any act, omission, neglect, or performance of Lessee or its agents, employees, and contractors. In the event any one shall file any notice or claim of lien against said property or any estate in said property, Lessee shall take all necessary steps expeditiously to have such notice or claim

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released of record. Lessee shall save Lessor harmless from any and all lien notices and claims against said land arising from any act or neglect of Lessee and any contractor or operator of Lessee in any operations on or relating to the hereinabove described lands.

Lessee shall not fence off or otherwise make inaccessible to livestock lawfully on the surface of said premises any watering place without the written consent of Lessor; provided, that Lessee shall not permit any livestock to come upon any portion of the leasehold to pollute any surface or subsurface water available or capable of being made available for domestic use or irrigation. In the operations of Lessee, Lessee shall comply with all laws and regulations for control of water which might be encountered or which might seep into any formation, to avoid pollution of surface and underground waters as required by Chapter 14, Title 73, Utah Code Annotated, 1953, as amended. Lessee shall comply with all valid laws and regulations relating to prevention and suppression of fires, make all necessary provisions for sanitary disposal of wastes, and in all operations connected with said leasehold take appropriate measures for protection of human life and prevention of injuries and disease.

#### ARTICLE XIV. RIGHTS OF LESSOR FOR INSPECTIONS OF LEASEHOLD AND RECORDS

Lessor, its officers, and agents have the right at all reasonable times to enter upon the leased lands and premises to inspect the conditions of the leasehold, the work done under the terms of this lease, and the production obtained from the leasehold, such entry and inspections to be done in such a manner as shall not unreasonably interfere with the lawful operations by the Lessee in performance of the terms and conditions of this lease.

Lessor also shall have the right to examine all books and records pertaining to operations under this lease whether such books and records are located within a building on the leased premises or located in an office elsewhere and to make copies and abstracts of such records if desired by Lessor. Lessor, its officers, and agents shall have the right to post upon or within the leasehold such notices deemed proper or expedient by Lessor.

If Lessee maintains an office in another State or in a foreign country, Lessee nevertheless shall maintain within the State of Utah proper and adequate records relating to operations on this leasehold and also relating to production of leased substances and payment of rentals and royalties. Lessee also shall have a resident agent in the State of Utah to whom any and all notices may be sent by Lessor and on whom process may be served. In the event of any change in the address of Lessee's office in the State of Utah, Lessee shall promptly furnish Lessor with written notice of such change of address within the State of Utah. Examinations of records of Lessee by the Lessor shall be conducted at reasonable times.

In the event Lessee conducts core-drilling operations within the leasehold, or by directional drilling from adjacent land, Lessor shall have a right of inspection of core samples and any analysis made thereof and any assay; provided, that any report obtained by Lessor of any core-drilling operations may be declared confidential information by Lessee, in which event Lessor shall keep such information in a separate confidential information file. Such information shall not be disclosed to any competitor nor to any one except to a representative of the Attorney General of the State of Utah until Lessee waives confidentiality or upon surrender, expiration, or termination of this lease.

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After completion of any core drilling, Lessee shall notify Lessor; and Lessee shall cause all core holes to be plugged or sealed as expeditiously as possible after the need for keeping such core holes unplugged ceases, in accordance with regulations and requirements of the Division of Oil, Gas, and Mining.

#### ARTICLE XV. OPERATIONS IN CONJUNCTION WITH MINING ON OTHER LANDS

In the event Lessee, in the interest of economy in mining operations, desires to conduct mining operations on or within the above-described lands in conjunction with mining operations on or within any adjacent Federal, State, or privately-owned land by utilization of shafts, inclines, or tunnels within either the above-described lands or within adjacent lands, Lessee shall make application in writing to the Board of State Lands & Forestry and submit with such application a detailed plan of operations illustrating how leased substances mined from the above-described lands can and will be mined, segregated, and separately accounted for from leased substances mined from some adjacent land. No such operations shall be conducted without written approval of the Board. Any approval granted by the Board shall be conditioned upon proper segregation and proper accounting and record keeping of leased substances mined from each property. Separate records shall be required for accounting for leased substances mined from the above-described lands.

If there is any conjoint operation, there shall be no commingling of coal or coal products or substances produced from the above-described lands with those of adjacent lands until and unless there has been a completely accurate accounting on production from the above-described lands as distinguished from production from adjacent lands.

The production of coal and operations in connection therewith as conjoint operations shall be subject to such examination and review as deemed desirable by the Division of State Lands & Forestry and the Division of Oil, Gas, and Mining, to determine whether any conjoint operations are detrimental to the State of Utah. If any such inspection results in an adverse report from either agency with recommendations for modification or discontinuance of such conjoint operations by order of the Board of State Lands & Forestry, a copy of such report with recommendations for modification or discontinuance shall be submitted as expeditiously as possible to the Lessee. If any objectionable condition is not promptly remedied to safeguard the rights of the State as Lessor, the Board of State Lands & Forestry shall have the right to order discontinuance of such arrangement; and failure to comply with such order of the Board shall constitute a breach of this Lease Agreement.

#### ARTICLE XVI. SPECIAL REQUIREMENTS IN EVENT OF STRIP-MINING

In the event Lessee desires to conduct any strip-mining or open-pit mining or operations which will materially disturb the surface of the above-described lands or some portion thereof, at least sixty (60) days before commencing such type of mining activities, Lessee shall submit to the Division of State Lands & Forestry the proposed plan of operations together with a proposed plan of surface rehabilitation in compliance with the Utah Coal Mining and Reclamation Act, and the Utah Mined Land Reclamation Act and in compliance with the Rules and Regulations adopted thereunder. A copy of such proposed plan of operations and proposed plan of surface rehabilitation also shall be submitted to the Division of Oil, Gas, and Mining. No such operations shall be commenced until the Division of Oil, Gas, and Mining approves the plan of

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operations and approves a program of rehabilitation. Security may be required of Lessee to assure appropriate rehabilitation in accordance with the said statute and rules and regulations adopted thereunder.

#### ARTICLE XVII. EQUIPMENT OR FACILITIES TO REMAIN WITH THE LAND

Upon surrender, forfeiture, expiration, or termination of this lease, any and all underground timbering supports, shaft linings, rails, and other installations necessary for the support of underground tunnels, shafts, inclines, or other underground mine supports, together with all rails or head frames and all other underground construction and safety equipment annexed to the ground (excluding detachable motor-driven machinery) which cannot be removed without creating a danger to any shaft, tunnel, incline, or other underground improvements annexed to the mine, and including equipment installed underground to provide for ventilation of the mine or some portion thereof, shall be left within said land above described by the Lessee, operator, and contractor of Lessee and shall remain a part of the realty. Lessor shall acquire all rights thereto without indemnification of Lessee or operator or contractor for Lessee.

Except as herein specifically excepted, all personal property of Lessee, including removable machinery, equipment, tools, and stockpiles of leased substances for which royalty has been paid, shall remain the property of Lessee or operator or contractor for Lessee and Lessee or operator or contractor for Lessee may remove the same at the sole expense of Lessee or operator or contractor within two (2) months following expiration, forfeiture, surrender, or termination of this lease, except that the Board of State Lands & Forestry for good cause shown shall have the right to grant a reasonable extension of time beyond the period of two (2) months for removal of any and all equipment which may be removed by Lessee or operator or contractor as herein provided. At the end of such period, Lessor may consider abandoned and lay claim to any or all equipment or stockpiles remaining on the premises.

Upon expiration, surrender, forfeiture, or termination of this lease or abandonment of the leasehold by Lessee, the Lessee shall cause to be sealed or properly shut off all or parts of the mine openings including shafts and tunnels in the manner and method required by the Director of the Division of Oil, Gas, and Mining, and to abate any hazardous condition which may have been left by Lessee, such abatement of hazardous condition to be performed in accordance with reasonable requirements of the Director of the Division of Oil, Gas, and Mining.

#### ARTICLE XVIII. CONSENT TO SUIT IN STATE DISTRICT COURT

It is agreed that if there arises any controversy between Lessor and Lessee or any successor in interest of Lessee which needs to be litigated, Lessee or any one claiming by or under the Lessee shall bring such action in the District Court of Salt Lake County, State of Utah, after compliance with the requirements of State statutes for bringing suit, including compliance with the requirements of the State Governmental Immunity Act, Title 63, Chapter 30, Utah Code Annotated, 1953, as amended. Neither Lessee nor any assignee of lessee nor any one claiming under, by, or through the Lessee shall bring any suit against the State of Utah or against any State agency in the United States District Court for the District of Utah, nor in any other United States District Court in some other state, nor in the District of Columbia.

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## ARTICLE XIX. REMEDIES FOR DEFAULT BY LESSEE OR ASSIGNS

This Mineral Lease and the terms and conditions of this lease agreement issued by the State of Utah are made with the Lessee herein on condition that Lessee and any lawful successor in interest to Lessee shall perform all covenants and terms and conditions herein set forth to be performed by Lessee or its lawful assigns including payment of rentals and royalties as herein provided; and if at any time there shall be default on the part of lessee or breach of any of the terms or conditions hereof on the part of Lessee or by the successor in interest to the Lessee; and if such default or breach shall continue for a period of thirty (30) days after written notice from Lessor of such default or breach given to Lessee or successor in interest addressed to Lessee or successor in interest at the last address furnished by Lessee or successor in interest by United States mail, then at the expiration of said period of thirty (30) days immediately following such notice if the default or breach has not been remedied, then at the expiration of said period of thirty (30) days, at the option of the Lessor, Lessor may issue written notice of termination and cancellation of this lease and forfeiture declaring that the leased premises and each and every part thereof have thereby reverted to the Lessor, including any and all fixtures and improvements required to be left with the property upon expiration, termination, or cancellation of this lease.

In the event that the leasehold estate shall have been damaged or injured by the acts or neglect of the Lessee or operator, contractor, or assigns of Lessee, Lessor also shall have a right of action for damages and for restitution for any failure or refusal to comply with the terms and conditions of any statute of this State relating to reclamation or rehabilitation, or for abatement of pollution, together with rights for injunctive relief. Lessor also shall have the right to recover on any bond or other security deposited with the State of Utah in accordance with the terms or conditions hereinabove set forth for indemnification.

IN WITNESS WHEREOF, the parties have executed this lease as of the date hereinabove first written.

THE STATE OF UTAH, acting by and through the  
BOARD OF STATE LANDS & FORESTRY and DIVISION OF  
STATE LANDS & FORESTRY

PATRICK D. SPURGIN, DIRECTOR

APPROVED AS TO FORM:  
R. PAUL VAN DAM  
ATTORNEY GENERAL

By David Christensen

By EDWARD W. BONNER, MINERALS SECTION MANAGER  
Division of State Lands & Forestry - LESSOR

R.W. Olsen MAY 2, 1989

PRESIDENT - SOLDIER CREEK COAL CO  
LESSEE

STATE OF UTAH )  
COUNTY OF SALT LAKE )

On the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, personally appeared before me EDWARD W. BONNER, who being by me duly sworn did say that he is the Minerals Section manager of the Division of State Lands & Forestry of the State of Utah and the signer of the above instrument, who duly acknowledged that he executed the same.

Given under my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_\_.

\_\_\_\_\_  
NOTARY PUBLIC, residing at:

My Commission Expires:

STATE OF UTAH )  
COUNTY OF \_\_\_\_\_ )

On the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, personally appeared before me \_\_\_\_\_, signer of the above instrument, who duly acknowledged to me that \_\_\_\_\_ executed the same.

Given under my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_\_.

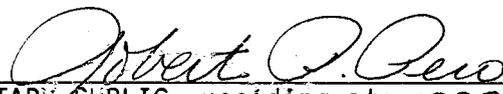
\_\_\_\_\_  
NOTARY PUBLIC, residing at:

My Commission Expires:

STATE OF UTAH )  
COUNTY OF CARBON )

On the 2 day of MAY, 1989, personally appeared before me R.W. OLSEN, who being duly sworn did say that he is an officer of SOLDIER CREEK COAL COMPANY and that said instrument was signed in behalf of said corporation by resolution of its Board of Directors, and said R.W. OLSEN acknowledged to me that said corporation executed the same.

Given under my hand and seal this 2 day of MAY, 1989.

  
\_\_\_\_\_  
NOTARY PUBLIC, residing at: 1222 W. HAYCOCK LANE  
HELPER, UT. 84526

My Commission Expires: 2-01-93

Form Dated July 23, 1984

PROOF READ DD BP

MINERAL LEASE NO. \_\_\_\_\_

MINERAL LEASE APPLICATION NO. 44365

GRANT: SCH

UTAH STATE LEASE FOR  
COAL

THIS UTAH STATE MINERAL LEASE AND AGREEMENT entered into and executed in duplicate as of the 3rd day of April, 19 89, by and between the STATE OF UTAH, acting by and through the BOARD OF STATE LANDS & FORESTRY and DIVISION OF STATE LANDS & FORESTRY, DEPARTMENT OF NATURAL RESOURCES, with the office located at 355 West North Temple, 3 Triad Center, Suite 400, Salt Lake City, Utah 84180-1204, hereinafter called the "LESSOR," and

Soldier Creek Coal Company  
P. O. Box I  
Price, UT 84501

(whether one or more individuals, corporation, or other entities) with business office or address as shown above, hereinafter called the "LESSEE,"

## WITNESSETH:

That the State of Utah as Lessor, for and in consideration of the fees, rents, royalties, and any other financial consideration paid or required to be paid by Lessee, and the terms and conditions to be performed by Lessee as hereinafter set forth, does hereby GRANT AND LEASE to the Lessee the exclusive right and privilege to explore for, drill for, mine, remove, and dispose of the particular mineral described in Article I hereof, hereinafter called the "leased substances," situated within the boundaries of the following-described tract of land (extending vertically downward from the surface) in Carbon County, State of Utah, to-wit:

Township 13 South, Range 12 East, SLB&M.  
Section 5: Lots 3, 4, SW $\frac{1}{4}$   
Section 6: Lots 1, 2, 3, 4, 5, 6, E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$

containing 557.20 acres, more or less.

This Mineral Lease is granted for and in consideration of and subject to all of the terms, provisions, and conditions hereinafter set forth:

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## ARTICLE I. MINERALS COVERED BY THIS LEASE

This Mineral Lease covers the following-described leased mineral substances within the boundaries of the above-described lands, to-wit:

COAL, which shall mean and include black or brownish-black solid fossil fuel that has been subjected to the natural processes of coalification, and which falls within the classification of coal by rank: I Anthracite, II Bituminous, III Sub-Bituminous, IV Lignitic.

In the event Lessee, or the operator or any contractor for Lessee, shall discover within said lands some mineral or minerals other than the mineral or leased substance covered by this lease, Lessee shall promptly notify the Lessor of the kind or nature of such mineral not included in this lease.

## ARTICLE II. PRIMARY TERM AND POSSIBLE EXTENSION OF TERM OF LEASE

This lease is granted for a primary term of TEN (10) years commencing on the first day of the month following the date hereinabove first written and as long thereafter as the leased substances shall be produced in commercial quantities from the above-described lands, on condition that Lessee shall perform the terms and provisions required to be performed by Lessee including payment of rents and royalties within the times required herein; provided however, that it is expressly agreed that at the end of each period of ten (10) years following the effective date of this lease, the State of Utah as Lessor shall have the right to readjust the terms and conditions of this lease as may then be determined to be in the best interest of the State of Utah as trustee-owner of the mineral estate. In the event of failure or refusal of the Lessee to accept and agree to the readjustment of the terms and conditions submitted by Lessor at the end of such ten (10)-year period, such failure or refusal to accept such readjustment of terms, conditions, or royalty shall operate to forfeit any right to extension of the term of this Mineral Lease and terminate this lease except for the rights of the State of Utah to recover any royalties then owing the State and/or any damages for which Lessee may be liable. This lease will not be extended beyond the end of the twentieth year except by the production of the leased substances in commercial quantities from the leased lands. If Lessee ceases production of leased substances in commercial quantities this lease will terminate one (1) year from the date of last commercial production, unless Lessee commences commercial production at least three (3) months prior to the end of such year and such commercial production then continues for at least six (6) months.

## ARTICLE III. APPLICABLE LAWS AND REGULATIONS

This lease is issued pursuant to the provisions of Title 65, Utah Code Annotated, 1953, as amended, and subject to all valid Rules and Regulations and requirements adopted by the Board of State Lands & Forestry, and of the Board of Oil, Gas, and Mining, applicable to the subject matter of this lease, together with all requirements of the Utah Coal Mining and Reclamation Act, the Utah Mined Land Reclamation Act, all requirements of the State Antiquities Act, Title 63, Chapter 18, and all valid rules and regulations relating to safety, sanitation, and health whether under the jurisdiction of the Division of Oil, Gas, and Mining with respect to operations under this lease or under the jurisdiction of some other State agency.

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## ARTICLE IV. RIGHTS TO THE SURFACE ESTATE

If the surface estate of all or some portion of the hereinabove-described lands is owned by the Lessor, Lessee shall be entitled to use reasonably and prudently such portions of the surface estate owned by Lessor as shall be reasonably necessary to explore and prospect for, mine, drill, remove, and dispose of the leased mineral substances, including permission to establish and maintain in a safe condition on the surface estate owned by Lessor, access roads, communication lines, tanks, pipelines, reservoirs, mills, processing plants, reduction works, dumps, and other essential structures, facilities, machinery, and equipment, reasonably necessary and expedient for the economic operation of the leasehold and in furtherance of production, treatment, and disposition of the leased substances under this lease. Such surface uses shall be exercised subject to the rights reserved to the State of Utah as provided in Article V hereof, and without unreasonable interference with the rights of any prior or subsequent lessee of the State of Utah under the program of multiple use.

If the surface estate of any portion of the described lands is not owned by the State of Utah, except for a reserved right of entry to the mineral estate or mineral estates, the Lessee may exercise such right of entry to the mineral estate covered by this lease, at the sole cost and expense of Lessee herein and without cost to the State of Utah. If any damage is caused directly or indirectly to the surface estate by the Lessee or by the contractor or operator for Lessee, Lessee shall make proper restitution and indemnify the surface owner or owners. Lessee also shall make proper rehabilitation as required by the Utah Coal Mining and Reclamation Act, and the Utah Mined Land Reclamation Act and as required by all lawful rules and regulations adopted thereunder.

Lessor will require a bond to be posted or other security given to the State to be filed with Lessor or any other State agency or officer in a principal amount determined by Lessor to be adequate to assure appropriate reclamation and restitution for any damage to the surface estate.

## ARTICLE V. EXCEPTIONS AND EXCLUSIONS FROM LEASE

Lessor hereby excepts and reserves from the operation of this lease the following rights and privileges:

FIRST: The right to establish rights of way and easements on, through, or over the land above described, for utility corridors and for joint or joint and several uses, as may be necessary and appropriate for the management of the above-described lands and other lands of Lessor or lands administered by Lessor, and for the working of other deposits within said lands under mineral leases granted to others under the program of multiple use.

SECOND: The right to issue mineral leases to other lessees covering minerals not included in this lease, under such terms and conditions which will not unreasonably interfere with operations under this lease in accordance with the principle of multiple use provided by law.

THIRD: In the event Lessor owns the surface estate in said lands or portions of said lands above described, Lessor retains the right to use, lease, sell, or otherwise dispose of the surface estate in said lands or any part thereof, under existing State

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laws or laws subsequently enacted, insofar as such surface is not essential for the Lessee herein in exploration, prospecting for, mining, drilling, removal, or disposal of the leased substances covered by this lease, to the extent that such use, lease, or sale of the surface estate does not unreasonably interfere with the rights granted to the Lessee herein. Lessor shall notify Lessee herein of any such sale, lease, use, or other disposition of the surface estate.

#### ARTICLE VI. PAYMENT OF RENTALS AND ROYALTIES

For and in consideration of the leasehold rights granted to the Lessee, in addition to all other terms and conditions required to be performed by the Lessee, the Lessee hereby covenants and agrees with Lessor to pay rentals and royalties as follows:

FIRST: Lessee agrees to pay Lessor as rental for the land covered by this lease the sum of One Dollar (\$1.00) per acre and for each fractional part of an acre, each year in advance on or before the first day of the month following the anniversary date of this lease, except the rental for the first year which has been paid with the application for this lease. All rentals paid shall be credited against actual Production Royalties for the lease year in which they shall accrue, but such rentals shall not be credited against the Minimum Royalties under subparagraph "Fourth" of this ARTICLE VI.

SECOND: (a) Lessee shall pay lessor a production royalty on the basis of 8% of the market price, including all bonuses and allowances received by Lessee, f.o.b. the nearest point of sale of the first marketable product or products produced from the leased substances and sold under a bonafide contract of sale, whether or not such product or products are produced through chemical or mechanical treating or processing of the leased substances raw material. It is expressly understood and agreed that none of Lessee's mining or product cost, including but not limited, to material costs, labor costs, overhead costs, distribution costs, or general and administrative costs may be deducted from market price f.o.b. the point of sale in computing Lessor's royalty. All such costs shall be entirely borne by Lessee and are anticipated by the rate of royalty assigned in his agreement.

(b) If the coal is washed or otherwise treated, royalty shall be paid on the basis of its value as washed or treated coal. Lessee shall maintain accurate records of the amount of coal washed or treated and report on the sale price or sale value of the washed coal or treated coal.

(c) If the Lessee produces any liquid or gaseous hydrocarbon, sulphur, any other substance by any in-situ process for treatment of the coal in place, whether by chemical or mechanical means or a combination of chemical and mechanical means, during first five years, the royalty shall be eight percent (8%) of the gross value of such product or products.

(d) In the event Lessee shall utilize the unwashed coal, or washed or treated coal, or some product thereof developed under subparagraph (c) hereinabove, whether for the development of electricity or other forms of energy or development of other products or uses, Production Royalty shall be computed as provided in (a) of paragraph SECOND of this article, on the market value of the unwashed coal at the mine and on the market value of the washed or otherwise treated coal under subparagraph (b) hereof and on the market value of the developed product or products under subparagraph (c) hereof.

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THIRD: Payment of Production Royalty shall be made by the Lessee to Lessor, as herein required, on or before the last day of the month next succeeding the month during which the coal is shipped, sold, processed, or used. In connection with such payment of Production Royalty, the Lessee shall submit to Lessor a certified statement of the coal produced; shipped; sold; processed; or used; including unwashed coal, washed, or otherwise treated coal; coal developed into liquid or gaseous products; or other commercial products by in-situ process or treatment, mined, or extracted from the hereinabove described lands, together with such other information required by the Board of State Lands & Forestry to verify production and disposition of the coal or coal products from the leased premises.

FOURTH: Lessee may maintain this lease in force beyond the primary term of ten (10) years from the effective date of this lease by paying Lessor, in addition to rentals and Production Royalties as hereinabove required, an annual minimum royalty of three (3) times the annual rental, providing the Lessee is engaged in diligent operations, exploration, research, or development activity which is reasonably calculated to advance development or production of the mineral covered by the lease from the leased premises or lands pooled or unitized with or constituting of an approved mining or drilling unit in respect to the leased premises. Said annual minimum royalty shall be paid each year in advance, commencing with the eleventh year of the lease, along with the regular annual rental required to be paid under the terms of this lease. Said rental per acre and said Minimum Royalty shall be paid on each and every acre in this lease to extend the term of this lease and to keep this lease in force and effect.

Rentals and Minimum Royalties paid annually shall be credited against actual Production Royalties for the year in which they accrue during the original term, or any extension thereof; but annual rentals shall not be credited against Minimum Royalties.

#### ARTICLE VII. MINERAL TITLE OF LESSOR

Lessor claims title to the mineral estate covered by this lease. Lessor does not warrant title nor represent that no one will dispute the title asserted by Lessor. It is expressly agreed that Lessor shall not be liable to Lessee for any alleged deficiency in title to the mineral estate, nor shall Lessee or any assigns of the Lessee become entitled to any refund for any rentals, bonuses, or royalties paid under this lease.

#### ARTICLE VIII. WATER RIGHTS

In the event Lessee shall initiate any water rights on the leased premises, such right shall become an appurtenance to the leased premises; and upon surrender, cancellation, or termination of this lease, Lessee or assigns of Lessee shall assign and convey such water rights and any application for appropriation of water to beneficial use relating to the land or the mineral estate covered by this lease to Lessor.

If the Lessee shall purchase or otherwise acquire any water rights on some other land and file with the State Engineer appropriate application for change of use onto the premises covered by this lease, the Lessor herein shall have an option for 45 days after the expiration, surrender, or termination of this lease to purchase said otherwise acquired water rights at the acquisition costs of the Lessee. Such option shall begin to run from the date of termination, surrender, or expiration of this lease or from the date when Lessee shall specify in writing the acquisition costs of such other water

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rights, whichever date is the later date. Unless Lessor accepts such written offer to convey such rights at the actual acquisition costs within said period of 45 days, Lessor shall be deemed to have rejected the offer. Upon payment of the said acquisition costs by the Lessor, Lessee herein shall assign and transfer such acquired water rights to the Lessor.

#### ARTICLE IX. WRITTEN CONSENT REQUIRED FOR ASSIGNMENT OR SUBLEASE

Lessee shall not assign this lease nor any portion thereof, nor any rights or privileges herein granted, without the prior written consent of Lessor. Nor shall the Lessee issue any sublease without the prior written consent of Lessor. Any assignment of lease and any sublease issued without prior written consent of Lessor shall be void ab initio.

In the event Lessor shall approve an assignment of this lease or of any part hereof, such assignment shall be subject to all of the terms, conditions, and obligations of the Lessee herein set forth. All of the terms, covenants, conditions, and obligations of the Lessee shall be binding upon the heirs, executors, administrators, successors, and assigns of the Lessee. This provision also shall apply to any sublease issued by Lessee and approved by Lessor.

#### ARTICLE X. OVERRIDING ROYALTY LIMITATION

Neither the Lessee nor the assignee of Lessee shall create or grant any overriding royalty except as permitted by law and by the Rules and Regulations of the Board of State Lands & Forestry. Overriding royalty assignments shall not become effective, even if otherwise valid, until filed with the Lessor.

#### ARTICLE XI. SURRENDER OR RELINQUISHMENT OF LEASE

Lessee may surrender this lease for cancellation by Lessor as to all or any part of the leased lands, but not for less than a quarter-quarter section or surveyed lot, upon payment of all rentals, royalties, and other amounts then due and owing to the Lessor, by filing with Lessor a written relinquishment. As to rental, such relinquishment shall be effective on the date of filing, but otherwise on the date of cancellation by the Lessor.

#### ARTICLE XII. NOTICE OF COMMENCEMENT OF OPERATIONS, PLANS, PLATS, BOND

Not less than sixty (60) days before commencement of exploration, drilling, or mining operations, Lessee shall give written notice hereof to the Division of State Lands & Forestry and the Division of Oil, Gas, and Mining, together with a plan of operations and a topographic map showing every proposed shaft, tunnel, open pit, drill site, and access road to be used. Lessor shall make an assessment of such plan of operation and either endorse or stipulate changes in Lessee's plan of operation, or request additional information within the sixty (60) day notification period. Lessee shall not proceed with the execution of any such plan of operation without first receiving the written approval of Lessor. Lessee shall maintain at the mine office clear, accurate, and detailed maps of all actual and planned operations on a scale of not more than 50 feet to the inch, with points coordinated with public land surveys showing distance to the nearest public survey monument or reestablished survey corner.

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Such maps and plats shall be on tracing cloth or other material which is substantially permanent and of which clear and distinct photo copies or blueprints can be readily made without unreasonable delay. Such maps or plats shall show the workings from time to time, as the same are extended. In the event that the operations on the above-described leasehold are intended to be conducted in conjunction with adjacent lands, whether Federal, State, or privately-owned lands, the map and plats shall clearly show how the operations are to be coordinated. All surveys shall be conducted by a licensed surveyor or engineer qualified to practice in Utah. All such maps or plats shall be certified by the surveyor or engineer preparing the same. The State or any agency of the State of Utah, including the Division of Oil, Gas, and Mining, shall be entitled to a true and correct copy thereof, together with the proposed plans of operation.

After Lessor receives notice of intent to commence mining operations, upon request of the Lessor, the Lessee shall furnish a bond with an approved corporate surety company authorized to transact business in the State of Utah, or such other security acceptable to the Lessor, in an amount to be determined by Lessor, after taking into account the value of the land and the amount of potential damage which likely will result from such proposed mining operations, and which bond or other security shall be conditioned upon payment of all rentals and royalties from the leasehold and other sums which may become payable to the Lessor, and to assure full compliance with the terms and conditions of this lease and compliance with all Rules and Regulations of the Board of State Lands & Forestry and all Rules and Regulations of any other State agency having jurisdiction over mining operations, and also conditioned upon payment of all damages to the surface and improvements thereon if this lease covers surface estate or some portion of the surface estate which has been sold or otherwise leased, and any damage caused by Lessee to any other lessee of the State of Utah with respect to said land. Such bond or other security furnished prior to commencement of development of the leasehold may be increased in such reasonable amounts as the Lessor may require after discovery of any of the leased substances.

If the plan of mining development or mining operations includes core-drilling, the plan of operations shall disclose the locations of core-drilling operations.

#### ARTICLE XIII. ALL OPERATIONS TO BE CONDUCTED IN A LAWFUL, PRUDENT MANNER

Lessee shall conduct all operations under this lease in a lawful, prudent, and good workmanlike manner for the effective and safe production of the mineral substances covered by this lease, and to avoid unnecessary damage and injury to the leasehold estate, and also to avoid damage and wastage of other natural resources not covered by this lease. All operations of Lessee, whether conducted directly by Lessee or by operators or contractors, shall be at the sole cost and expense of Lessee.

It is expressly covenanted and agreed that Lessor does not grant Lessee or any person dealing with Lessee any right to subject the property hereinabove described, nor any leased substances, to any lien-rights for labor or mechanic's liens, nor to any materialmen's liens, nor to any other lien for any act, omission, neglect, or performance of Lessee or its agents, employees, and contractors. In the event any one shall file any notice or claim of lien against said property or any estate in said property, Lessee shall take all necessary steps expeditiously to have such notice or claim

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released of record. Lessee shall save Lessor harmless from any and all lien notices and claims against said land arising from any act or neglect of Lessee and any contractor or operator of Lessee in any operations on or relating to the hereinabove described lands.

Lessee shall not fence off or otherwise make inaccessible to livestock lawfully on the surface of said premises any watering place without the written consent of Lessor; provided, that Lessee shall not permit any livestock to come upon any portion of the leasehold to pollute any surface or subsurface water available or capable of being made available for domestic use or irrigation. In the operations of Lessee, Lessee shall comply with all laws and regulations for control of water which might be encountered or which might seep into any formation, to avoid pollution of surface and underground waters as required by Chapter 14, Title 73, Utah Code Annotated, 1953, as amended. Lessee shall comply with all valid laws and regulations relating to prevention and suppression of fires, make all necessary provisions for sanitary disposal of wastes, and in all operations connected with said leasehold take appropriate measures for protection of human life and prevention of injuries and disease.

#### ARTICLE XIV. RIGHTS OF LESSOR FOR INSPECTIONS OF LEASEHOLD AND RECORDS

Lessor, its officers, and agents have the right at all reasonable times to enter upon the leased lands and premises to inspect the conditions of the leasehold, the work done under the terms of this lease, and the production obtained from the leasehold, such entry and inspections to be done in such a manner as shall not unreasonably interfere with the lawful operations by the Lessee in performance of the terms and conditions of this lease.

Lessor also shall have the right to examine all books and records pertaining to operations under this lease whether such books and records are located within a building on the leased premises or located in an office elsewhere and to make copies and abstracts of such records if desired by Lessor. Lessor, its officers, and agents shall have the right to post upon or within the leasehold such notices deemed proper or expedient by Lessor.

If Lessee maintains an office in another State or in a foreign country, Lessee nevertheless shall maintain within the State of Utah proper and adequate records relating to operations on this leasehold and also relating to production of leased substances and payment of rentals and royalties. Lessee also shall have a resident agent in the State of Utah to whom any and all notices may be sent by Lessor and on whom process may be served. In the event of any change in the address of Lessee's office in the State of Utah, Lessee shall promptly furnish Lessor with written notice of such change of address within the State of Utah. Examinations of records of Lessee by the Lessor shall be conducted at reasonable times.

In the event Lessee conducts core-drilling operations within the leasehold, or by directional drilling from adjacent land, Lessor shall have a right of inspection of core samples and any analysis made thereof and any assay; provided, that any report obtained by Lessor of any core-drilling operations may be declared confidential information by Lessee, in which event Lessor shall keep such information in a separate confidential information file. Such information shall not be disclosed to any competitor nor to any one except to a representative of the Attorney General of the State of Utah until Lessee waives confidentiality or upon surrender, expiration, or termination of this lease.

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After completion of any core drilling, Lessee shall notify Lessor; and Lessee shall cause all core holes to be plugged or sealed as expeditiously as possible after the need for keeping such core holes unplugged ceases, in accordance with regulations and requirements of the Division of Oil, Gas, and Mining.

#### ARTICLE XV. OPERATIONS IN CONJUNCTION WITH MINING ON OTHER LANDS

In the event Lessee, in the interest of economy in mining operations, desires to conduct mining operations on or within the above-described lands in conjunction with mining operations on or within any adjacent Federal, State, or privately-owned land by utilization of shafts, inclines, or tunnels within either the above-described lands or within adjacent lands, Lessee shall make application in writing to the Board of State Lands & Forestry and submit with such application a detailed plan of operations illustrating how leased substances mined from the above-described lands can and will be mined, segregated, and separately accounted for from leased substances mined from some adjacent land. No such operations shall be conducted without written approval of the Board. Any approval granted by the Board shall be conditioned upon proper segregation and proper accounting and record keeping of leased substances mined from each property. Separate records shall be required for accounting for leased substances mined from the above-described lands.

If there is any conjoint operation, there shall be no commingling of coal or coal products or substances produced from the above-described lands with those of adjacent lands until and unless there has been a completely accurate accounting on production from the above-described lands as distinguished from production from adjacent lands.

The production of coal and operations in connection therewith as conjoint operations shall be subject to such examination and review as deemed desirable by the Division of State Lands & Forestry and the Division of Oil, Gas, and Mining, to determine whether any conjoint operations are detrimental to the State of Utah. If any such inspection results in an adverse report from either agency with recommendations for modification or discontinuance of such conjoint operations by order of the Board of State Lands & Forestry, a copy of such report with recommendations for modification or discontinuance shall be submitted as expeditiously as possible to the Lessee. If any objectionable condition is not promptly remedied to safeguard the rights of the State as Lessor, the Board of State Lands & Forestry shall have the right to order discontinuance of such arrangement; and failure to comply with such order of the Board shall constitute a breach of this Lease Agreement.

#### ARTICLE XVI. SPECIAL REQUIREMENTS IN EVENT OF STRIP-MINING

In the event Lessee desires to conduct any strip-mining or open-pit mining or operations which will materially disturb the surface of the above-described lands or some portion thereof, at least sixty (60) days before commencing such type of mining activities, Lessee shall submit to the Division of State Lands & Forestry the proposed plan of operations together with a proposed plan of surface rehabilitation in compliance with the Utah Coal Mining and Reclamation Act, and the Utah Mined Land Reclamation Act and in compliance with the Rules and Regulations adopted thereunder. A copy of such proposed plan of operations and proposed plan of surface rehabilitation also shall be submitted to the Division of Oil, Gas, and Mining. No such operations shall be commenced until the Division of Oil, Gas, and Mining approves the plan of

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operations and approves a program of rehabilitation. Security may be required of Lessee to assure appropriate rehabilitation in accordance with the said statute and rules and regulations adopted thereunder.

#### ARTICLE XVII. EQUIPMENT OR FACILITIES TO REMAIN WITH THE LAND

Upon surrender, forfeiture, expiration, or termination of this lease, any and all underground timbering supports, shaft linings, rails, and other installations necessary for the support of underground tunnels, shafts, inclines, or other underground mine supports, together with all rails or head frames and all other underground construction and safety equipment annexed to the ground (excluding detachable motor-driven machinery) which cannot be removed without creating a danger to any shaft, tunnel, incline, or other underground improvements annexed to the mine, and including equipment installed underground to provide for ventilation of the mine or some portion thereof, shall be left within said land above described by the Lessee, operator, and contractor of Lessee and shall remain a part of the realty. Lessor shall acquire all rights thereto without indemnification of Lessee or operator or contractor for Lessee.

Except as herein specifically excepted, all personal property of Lessee, including removable machinery, equipment, tools, and stockpiles of leased substances for which royalty has been paid, shall remain the property of Lessee or operator or contractor for Lessee and Lessee or operator or contractor for Lessee may remove the same at the sole expense of Lessee or operator or contractor within two (2) months following expiration, forfeiture, surrender, or termination of this lease, except that the Board of State Lands & Forestry for good cause shown shall have the right to grant a reasonable extension of time beyond the period of two (2) months for removal of any and all equipment which may be removed by Lessee or operator or contractor as herein provided. At the end of such period, Lessor may consider abandoned and lay claim to any or all equipment or stockpiles remaining on the premises.

Upon expiration, surrender, forfeiture, or termination of this lease or abandonment of the leasehold by Lessee, the Lessee shall cause to be sealed or properly shut off all or parts of the mine openings including shafts and tunnels in the manner and method required by the Director of the Division of Oil, Gas, and Mining, and to abate any hazardous condition which may have been left by Lessee, such abatement of hazardous condition to be performed in accordance with reasonable requirements of the Director of the Division of Oil, Gas, and Mining.

#### ARTICLE XVIII. CONSENT TO SUIT IN STATE DISTRICT COURT

It is agreed that if there arises any controversy between Lessor and Lessee or any successor in interest of Lessee which needs to be litigated, Lessee or any one claiming by or under the Lessee shall bring such action in the District Court of Salt Lake County, State of Utah, after compliance with the requirements of State statutes for bringing suit, including compliance with the requirements of the State Governmental Immunity Act, Title 63, Chapter 30, Utah Code Annotated, 1953, as amended. Neither Lessee nor any assignee of lessee nor any one claiming under, by, or through the Lessee shall bring any suit against the State of Utah or against any State agency in the United States District Court for the District of Utah, nor in any other United States District Court in some other state, nor in the District of Columbia.

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## ARTICLE XIX. REMEDIES FOR DEFAULT BY LESSEE OR ASSIGNS

This Mineral Lease and the terms and conditions of this lease agreement issued by the State of Utah are made with the Lessee herein on condition that Lessee and any lawful successor in interest to Lessee shall perform all covenants and terms and conditions herein set forth to be performed by Lessee or its lawful assigns including payment of rentals and royalties as herein provided; and if at any time there shall be default on the part of lessee or breach of any of the terms or conditions hereof on the part of Lessee or by the successor in interest to the Lessee; and if such default or breach shall continue for a period of thirty (30) days after written notice from Lessor of such default or breach given to Lessee or successor in interest addressed to Lessee or successor in interest at the last address furnished by Lessee or successor in interest by United States mail, then at the expiration of said period of thirty (30) days immediately following such notice if the default or breach has not been remedied, then at the expiration of said period of thirty (30) days, at the option of the Lessor, Lessor may issue written notice of termination and cancellation of this lease and forfeiture declaring that the leased premises and each and every part thereof have thereby reverted to the Lessor, including any and all fixtures and improvements required to be left with the property upon expiration, termination, or cancellation of this lease.

In the event that the leasehold estate shall have been damaged or injured by the acts or neglect of the Lessee or operator, contractor, or assigns of Lessee, Lessor also shall have a right of action for damages and for restitution for any failure or refusal to comply with the terms and conditions of any statute of this State relating to reclamation or rehabilitation, or for abatement of pollution, together with rights for injunctive relief. Lessor also shall have the right to recover on any bond or other security deposited with the State of Utah in accordance with the terms or conditions hereinabove set forth for indemnification.

IN WITNESS WHEREOF, the parties have executed this lease as of the date hereinabove first written.

THE STATE OF UTAH, acting by and through the  
BOARD OF STATE LANDS & FORESTRY and DIVISION OF  
STATE LANDS & FORESTRY

PATRICK D. SPURGIN, DIRECTOR

APPROVED AS TO FORM:  
R. PAUL VAN DAM  
ATTORNEY GENERAL

By David Christensen

By

EDWARD W. BONNER, MINERALS SECTION MANAGER  
Division of State Lands & Forestry - LESSOR

R.W. Olsen      MAY 2, 1989

PRESIDENT - SOLDIER CREEK COAL CO  
LESSEE

STATE OF UTAH )  
COUNTY OF SALT LAKE )

On the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, personally appeared before me EDWARD W. BONNER, who being by me duly sworn did say that he is the Minerals Section manager of the Division of State Lands & Forestry of the State of Utah and the signer of the above instrument, who duly acknowledged that he executed the same.

Given under my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

\_\_\_\_\_  
NOTARY PUBLIC, residing at:

My Commission Expires:

STATE OF UTAH )  
COUNTY OF \_\_\_\_\_ )

On the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, personally appeared before me \_\_\_\_\_, signer of the above instrument, who duly acknowledged to me that \_\_\_\_\_ executed the same.

Given under my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

\_\_\_\_\_  
NOTARY PUBLIC, residing at:

My Commission Expires:

STATE OF UTAH )  
COUNTY OF CARBON )

On the 2 day of MAY, 1989, personally appeared before me R.W. OLSEN, who being duly sworn did say that he is an officer of SOLDIER CREEK COAL COMPANY and that said instrument was signed in behalf of said corporation by resolution of its Board of Directors, and said R.W. OLSEN acknowledged to me that said corporation executed the same.

Given under my hand and seal this 2 day of MAY, 1989.

Robert P. Reno  
\_\_\_\_\_  
NOTARY PUBLIC, residing at: 1222 W. HAYCOCK LANE  
HELPER, UT 84526

My Commission Expires: 2-01-93