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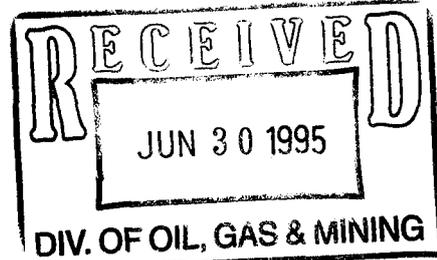
Horizon Coal Corporation

P.O. Box 2560
Wise, VA 24293

(EXP)
PRO/007/020-

June 29, 1995

Mr. Daron R. Haddock
State of Utah, DOGM
355 West North Temple
3 Triad, Suite 350
Salt Lake City, UT 84180



Copy Daron (all)

Re: Exploration Plan, EXP/007/020-95-A Folder #3, Carbon County, Utah

Dear Mr. Haddock:

Horizon Coal Corporation submits the following responses to your letter dated June 1, 1995. This information should enable you to complete the approval of Horizon's exploration project.

1. R645-203.232 *The applicant shows that a road will be developed to gain access to drill site PRP-2, which will cross a tributary to Beaver Creek. The applicant has not identified the effects of development to the stream, what methods will be used to prevent sediment from reaching the stream of if a culvert will be used to cross the stream. The applicant must check with the State Engineer, Utah Division of Water Rights and obtain a permit (if one is required) to traverse the stream.*

The stream crossing is at the site of an existing road with an existing fording which lies adjacent to an old wooden bridge. The fording is used when vehicle weight exceeds capacity of the bridge. Mark Paige with the Division of Water Rights indicates that a stream crossing permit will not be required to use an existing fording and is preparing a letter stating the same. The letter will be immediately forwarded to DOGM upon receipt.

2. R645-202-300.235 & 244.100 *The applicant has identified that monitoring well development will take place in the Starpoint Sandstone. The applicant should provide plans to identify and monitor other aquifers contacted during the drilling phase.*

Horizon will use drilling methods best suited to identify perched aquifers during drilling. Horizon will report stratigraphic position and flows from all aquifers encountered during drilling which demonstrate flows from all aquifers encountered during drilling which demonstrate flows

greater than 5 GPM. Horizon and DOGM will review the hydrologic data from drilling to determine if there are "significant aquifers" above the Starpoint Sandstone and possible need for additional data collection.

3. *R645-202-200.234 The applicant needs to show proof of permission to divert and use water from Beaver Creek and the artesian well.*

Horizon Coal Corporation controls water in Gordon Creek that can be used for this exploration project. However, Horizon expects to obtain permission to use water from Beaver Creek and the artesian well prior to conducting exploration activities. It will be more efficient to use the Beaver Creek source for this project.

Horizon has leased Water Right Nos. 91-94, 91-330, and 91-353 from Florence A. Sweet (surviving heir to Victor W. Sweet, owner of Sweet Coal Company and Hudson Coal Company) for operation of the Horizon Mines. The memorandum recording this transaction in Carbon County is included with this letter as Attachment I.

Regarding the artesian well, records at the Division of Water Rights show that "no filing" has been made on the artesian well and therefore the down-stream claimants, holding water rights on Beaver Creek, by default hold water rights on the artesian well which is tributary to Beaver Creek. Permission will be obtained from the down-stream claimants to divert and use water from Beaver Creek and the artesian well prior to conducting exploration activities or Horizon will use water leased from Florence Sweet.

4. *R645-201-300.326 The applicant shall provide proof of right of access to the property to conduct trespass and drilling operations.*

Horizon Coal has applied to the BLM for an exploration license. This license will grant access rights to Horizon to prospect on these lands. The surface and mineral ownership for these lands are held in separate estates. These lands were conveyed as part of a state selection process approved by the Secretary of the Interior November 15, 1909. The selection reserved to the United States all coal in the lands so selected and the person authorized by it, the right to prospect for, mine and remove coal. Attachment II is State Selection List No. 17 Approval.

Surface owners, Pete and Steve Stamatakis by letter of their attorney, June 5, 1995, to BLM, have expressed concern about the impact of exploration on real estate values. On June 13, 1995 BLM issued a decision to deny their objection and protest. Attachment III is Stamatakis letter to BLM, Attachment IV is BLM letter of response.

Please contact Brad Bourquin at (303) 989-4242 in Lakewood Colorado if you have any questions regarding these responses.

Sincerely,

Brad Bourquin, for
Richard Gilliam

copy:

Brad Bourquin

Greg Hunt

Oliver Gushee

File:DOGM1.WPD

Attachment I - Memorandum of Water Lease Agreement

00050346 BK00358 Pg00493-00495

ANN B. O'BRIEN-COUNTY OF CARBON
1995 JUN 14 09:46 AM FEE \$16.00 BY
REQUEST: PRUITT, GUSHEE & BACHTELL**MEMORANDUM OF WATER LEASE AGREEMENT**

FLORENCE A. SWEET ("Lessor") and **HORIZON COAL CORPORATION**, a Virginia corporation ("Lessee") have entered into a Water Lease Agreement dated May 1, 1995, by the terms of which the parties agree as follows:

1. **LEASE.**

Lessor leased and does hereby lease to Lessee the water and water rights described in Exhibit A attached hereto and made a part for all purposes.

2. **TERM OF LEASE.**

The Lease is for a five (5) year primary term, unless extended or sooner terminated as provided in said Lease.

3. **SUCCESSORS AND ASSIGNS.**

Each and every clause, condition, covenant and agreement of the said Lease shall inure to the benefit of and be binding upon the parties hereto, their heirs, administrators, executors, successors and assigns.

4. **REFERENCE TO MINING LEASE.**

The said Lease, dated as of May 1, 1995, contains terms and provisions other than those herein stated. An executed copy of said Lease which sets forth the precise terms thereof, is in the possession of the Lessor's Attorney-in-fact who may be contacted at 1750 Orchard Drive, Salt Lake City, Utah 84106, and an executed copy is in the possession of Lessee, who may be contacted at P.,O. Box 2560, Wise, Virginia 24293.

IN WITNESS WHEREOF, LESSOR and LESSEE have executed this Memorandum of Water Lease Agreement as of the 1st Day of May, 1995.

LESSOR:

LESSEE:

FLORENCE A. SWEET

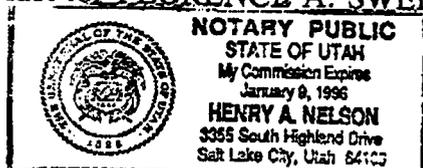
HORIZON COAL CORPORATION

By: Richard A. Sweet
Richard A. Sweet
Attorney-in-fact

By: Bill Gillman
Title: PRES.

STATE OF UTAH)
)
)ss.
)
COUNTY OF SALT LAKE

The foregoing Memorandum of Water Lease Agreement was acknowledged before me this 30th day of May, 1995 by RICHARD A. SWEET, as Attorney-in-fact for FLORENCE A. SWEET.



My Commission Expires: 1/9/96

[Signature]
Residing at: Salt Lake County

STATE OF)
)ss.
)
COUNTY OF

The foregoing Memorandum of Water Lease Agreement was acknowledged before me this 5th day of June, 1995, by Richard Gillian, the President of HORIZON COAL CORPORATION.

My Commission Expires:
June 30, 1998

Kaylene B. Addington
NOTARY PUBLIC
Residing at: Wise County, VA



EXHIBIT A

Attached to and made a part of Memorandum of Water Lease Agreement
between Florence A. Sweet and Horizon Coal Corporation
dated as of May 1, 1995

WATER RIGHTS
(Carbon County, Utah)

<u>Water Rights Number</u>	<u>Source</u>	<u>Quantity of Water and Point of Diversion</u>
91-94	Unnamed Spring	0.15 cfs from a point which bears South 760 feet and West 725 feet from the Northeast corner of Section 19, <u>T13S, R8E, SLM</u> (9/1 to 5/1-annual period of use)
91-353	Unnamed Spring	0.015 cfs from a point which bears South 760 feet West 725 feet from the Northeast corner of Section 19; <u>T13S, R8E, SLM</u> , (5/1 to 9/1-annual period of use)
91-330	Underground Water Tunnel	0.557 cfs from a point which bears South 970 feet West 1580 feet from the Northeast corner of Section 18, <u>T13S, R8E, SLM</u> (1/1 to 12/31-annual period of use)

Attachment II - State Selection Lost No. 17 Approval

LIST NO. 17, exhibiting the tracts of public land situated in the district of lands subject to sale at Salt Lake City, which have been selected by the State of Utah, under the provisions of Section 12 of the Act of Congress approved July 16, 1894 (28 Stats., 107), in part satisfaction of its grant of 100,000 acres for the establishment and maintenance of an INSANE ASYLUM.

List No. 59, Serial No. 01243, ✓
 filed April 21, 1905.

Sec.	Tp.	Rge.	Area.
4 ✓	13 S.	8 E.	39.82
5 ✓	13 S.	8 E.	279.69
6 ✓	13 S.	8 E.	202.85
7 ✓	13 S.	8 E.	162.81
8 ✓	13 S.	8 E.	240.00
9 ✓	13 S.	8 E.	40.00
17 ✓	13 S.	8 E.	80.00
18 ✓	13 S.	8 E.	168.83
Total			1,214.00

Dec. 18, 1909
 Noted on Serial Reg. J. & P.
 Bu C.F.S.

Post-It™ brand fax transmittal memo 767 # of pages 1

To <i>David L. Kirkman</i>	From <i>L. L. L. L. L.</i>
Co.	Co. <i>B.L.M.</i>
Dept.	Phone # <i>801-539-4001</i>
Fax # <i>303-989-4242</i>	Fax #

DEPARTMENT OF THE INTERIOR,
GENERAL LAND OFFICE,

Washington, D. C., November 5, 1909.

THIS CERTIFIES that the lands described in the foregoing list have been carefully examined and compared with the township plats and tract books in this office, and the same have been found to inure to the State of Utah under its grant for the purpose stated, being free from conflicts or other adverse claims of record; that said lands have been classified as coal lands at thirty and fifty dollars per acre, and that the State has filed its election to take title thereto exclusive of coal deposits contained therein as provided in the Act of Congress approved March 3, 1909 (35 Stats., 844).

J. E. Slosson,
Examiner.

Approved:

G. B. Driesbock,
Chief of Division "G".

DEPARTMENT OF THE INTERIOR,
GENERAL LAND OFFICE,

Washington, D. C., November 15, 1909.

It is hereby certified that the tracts described in this list No. 17, are embraced in the original list, now on file in this office, of lands selected by the State of Utah, pursuant to the laws of said State, in the Salt Lake City land district, in part satisfaction of the grant to said State for the purposes and under the provisions of the Act of Congress cited.

It is further certified that the tracts are unreserved, unappropriated, surveyed public lands of the United States, within the limits of said State, free from adverse claims of record, selected April 21, 1905, withdrawn under the coal land laws

July 26, 1906, and subsequently, to wit: July 3, 1907, classified as coal lands at thirty and fifty dollars per acre, and that the State has filed its election to take title thereto exclusive of coal deposits contained therein, as provided in the Act of Congress approved March 3, 1909 (35 Stats., 844).

The quantity of land heretofore certified to the State under this grant is 94,330.29 acres, which, with the 1,214.00 acres embraced herein, aggregate 95,544.29 acres.

It is therefore recommended that the selections be approved, subject to any valid interfering rights existing at date of selection, and reserving to the United States all coal in the lands so selected, and to it, or persons authorized by it, the right to prospect for, mine and remove coal from the same upon compliance with the conditions and subject to the limitations of the Act of Congress above cited.

Fred Dennett,

Commissioner.

DEPARTMENT OF THE INTERIOR,

OFFICE OF THE SECRETARY,

Washington, D. C., November 15, 1909.

The foregoing selections, embracing 1,214.00 acres, are hereby approved, subject to any valid interfering rights existing at date of selection, and reserving to the United States all coal in the lands so selected, and to it, or persons authorized by it, the right to prospect for, mine and remove coal from the same upon compliance with the conditions and subject to the limitations of the Act of Congress approved March 3, 1909 (35 Stats., 844).

Frank Pierce,

First Assistant Secretary.

Attachment III - Stamatakis Letter to BLM

NICK SAMPINOS

Attorney at Law

First Interstate Bank Bldg.
80 West Main, Suite 201
Price, Utah 84501

Telephone: (801) 637-8100

Fax: (801) 637-0220

June 5, 1995

Bureau of Land Management
Utah State Office
P.O. Box 45155
Salt Lake City, Utah 84145-0155

Brad Bourquin
1132 South Dover
Lakewood, Colorado 80232

RE: Notice of Invitation to Participate in Coal Exploration Program Horizon Coal Corporation - Beaver Creek Tract UTU-74111

Gentlemen:

This letter is submitted at the request of my clients, Steve Stamatakis of 2676 W. Gordon Creek Road, Price, Utah 84501 and Pete Stamatakis of 1111 South 450 West, Price, Utah 84501. My clients are the owners of a certain parcel of real property containing approximately 2,800 acres of mountain range land in the Beaver Creek Drainage of Carbon County, Utah, within Township 13 South, Range 8 East, SLB&M. The specific legal description of my clients' real property is attached hereto and by this reference is made a part hereof.

In reviewing the above referenced Notice which was published in the Sun Advocate Newspaper of Price, Utah on May 2 and May 9, 1995, my clients expressed their concern about proposed further coal exploration which may affect the real property described above.

My clients asked me to forward this letter as a formal objection and protest to any further activities beneath the surface of their land as is more particularly described on the attachment hereto which may affect surface water that existed or may exist on their said property. My clients wished to be informed of any and all further activities regarding proposed coal exploration which may be planned for the North 1/2 of the South 1/2 of Section 8 in Township 13 South, Range 8 East, SLB&M, Utah.

Thank you for your attention to this matter.

Sincerely,



Nick Sampinos
Attorney for Steve Stamatakis
and Pete Stamatakis

NS/nn

Attachment

xc: Steve Stamatakis
Pete Stamatakis

Carbon County Utah

Township 13 South, Range 8 East, SLBM

Section 4 - W1/2, W1/2 NE1/4

Section 5 - W1/2 NW1/4, NW1/4 SW1/4, SE1/4 SW1/4, NE1/4, S1/2 SE1/4, NE1/4 SE1/4

Section 6 - S1/2, NE1/4, SE1/4 NW1/4

Section 7 - NW1/4, N1/2 SW1/4, SE1/4 SW1/4, SE1/4, SE1/4 NE1/4

Section 8 - S1/2 NW1/4, NE1/4 NW1/4, N1/2 SW1/4, N1/2 SE1/4, NE1/4

Section 9 - NW1/4

Section 18 - N1/2 NW1/4

Attachment IV - BLM Response to Stamatakis

**United States Department of the Interior
BUREAU OF LAND MANAGEMENT**

Utah State Office
P.O. Box 45155
Salt Lake City, Utah 84145-0155

IN REPLY REFER TO:
3410
UTU-74111
(UT-923)

JUN 13 1995

Nick Sampinos
First Interstate Bank Bldg.
80 West Main, Suite 201
Price, Utah 84501

Dear Mr. Sampinos:

We are in receipt of your letter of June 5, 1995, which you state is a formal objection and protest to any further activities beneath the surface of the N2S2 of section 8 in Township 13 South, Range 8 East, SLB&M, Utah. The surface owners of this land are Steve and Pete Stamatakis of Price, Utah. The land is also within the description of a pending coal exploration license submitted by Horizon Coal Corporation to this office on April 13, 1995, and given casefile number UTU-74111.

The above lands were conveyed as part of a state selection process approved by the Secretary of the Interior November 15, 1909. The selection reserved to the United States all coal in the lands so selected and the person authorized by it, the right to prospect for, mine and remove coal. Therefore, the objection and protest are denied, and the processing and issuing of the coal exploration license will continue in accordance with Federal regulations.

As noted in 43 CFR § 3410.3-4(d), 30 days prior to the termination of the period of liability under the bond, the surface owners will be so notified to enable them to inspect the property and notify this office, in writing, of any deficiencies in reclamation. If the licensee and any surface owner are unable to agree on the adequacy of the reclamation, the authorized officer shall make the final determination.

Sincerely,

/s/ ROBERT LOPEZ

Chief, Branch of Mineral
Leasing Adjudication

Enclosure
State Selection List No. 17 Approval (3 pp)

cc: Steve Stamatakis, 2676 W. Gordon Creek Road, Price, Utah 84501
Pete Stamatakis, 1111 South 450 West, Price, Utah 84501
Brad Borquin, P.E., 1131 South Dover Street, Lakewood, Colorado 80232



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

Michael O. Leavitt
Governor
Ted Stewart
Executive Director
James W. Carter
Division Director

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

June 1, 1995

Bradley Bourquin, PE
Horizon Coal Company
1131 South Dover Street
Lakewood, Colorado 80232

Re: Exploration Plan Deficiencies, Horizon Coal Company, EXP/007/020-95A, Folder #3, Carbon County, Utah

Dear Mr. Bourquin:

The Division has completed a review of your proposed exploration project dated April 14, 1995. The project cannot be approved at this time due to some deficiencies that have been identified. The following requirements must be addressed before your plans can be approved.

1. R645-203.232 The applicant shows that a road will be developed to gain access to drill site PRP-2, which will cross a tributary to Beaver Creek. The applicant has not identified the effects of development to the stream, what methods will be used to prevent sediment from reaching the stream or if a culvert will be used to cross the stream. The applicant must check with the State Engineer, Utah Division of Water Rights and obtain a permit (if one is required) to traverse the stream.
2. R645-202-200.235 & 244.100 The applicant has identified that monitoring well development will take place in the Starpoint Sandstone. The applicant should provide plans to identify and monitor other aquifers contacted during the drilling phase.
3. R645-202-200.234 The applicant needs to show proof of permission to divert and use water from Beaver Creek and the artesian well.
4. R645-201-300.326 The applicant shall provide proof of right of access to the property to conduct trespass and drilling operations.

Please provide a response by no later than June 30, 1995. If you have any questions regarding these requirements, please contact me or Dave Darby at 801-538-5340.

Sincerely,

Daron R. Haddock
Permit Supervisor

cc: D. Darby
J. Helfrich
P. Grubaugh-Littig
expldef.hor