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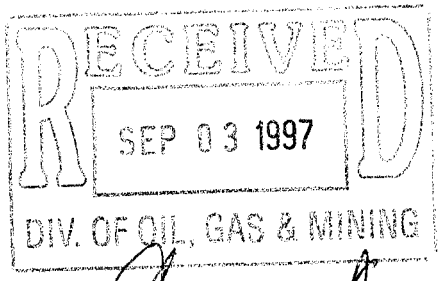
August 28, 1997



State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
1594 West N. Temple, Suite 1210
Box 145801
Salt Lake City, UT 84111-5801

Copy Daron: Joe
ACT/007/020 #20
Copy ACT/007/017 #2

ATTN: Mary Ann Wright, Associate Director

Dear Ms. Wright:

This letter is submitted for and on behalf of my clients Steve and Pete Stamatakis of Price, Utah. Steve and Pete own a relatively large tract of land in Carbon County, Utah. A legal description of their property is attached hereto.

I am contacting you on their behalf in an attempt to address certain of their concerns regarding past mining operations of Beaver Creek Coal Company and the future anticipated mining operations of the Horizon Coal Company.

In the recent past, there have been several informal discussions with various members of DOGM's staff concerning the effects of past mining operations of the Beaver Creek Coal Company and anticipated mining operations of Horizon Coal Company that may relate to the Stamatakis land.

With respect to the operations of the Beaver Creek Coal Company, I am enclosing herewith a copy of a letter that I had forwarded to Lowell Braxton dated November 9, 1994 outlining in brief detail the concerns of my clients with respect to Beaver Creek Coal Company. As a result of that letter, a couple of meetings occurred between my clients and Dave Darby. As a result of those discussions, Mr. Darby apparently gave my clients the impression that without additional baseline information on the amount of water that was flowing on the Stamatakis property prior to commencement of or during actual mining operations of Beaver Creek Coal Company, there is probably little that he could do to assist with problems that may have resulted from those mining operations. He further indicated that it would be my clients' burden to prove that mine subsidence had occurred beneath the surface of their property and that as a result thereof, their property experienced a loss of flow of water from various sources. Needless to say, my clients are not satisfied with that sort of conclusion and are most

interested in determining if there is any sort of assistance that is available through the Division of Oil, Gas and Mining to address their concerns with respect to past mining operations.

With respect to future mining operations, it is my clients' understanding that Horizon Coal Company and/or its successor are proceeding full speed ahead with plans to develop a coal mining operation in the Consumer's Canyon as well as in a north-westerly direction that will include that area beneath the surface of the Stamatakis property.

My clients have expressed their concerns verbally to Vicky Bailey and have scheduled at least one meeting in the recent past. It was anticipated that at such meeting, the participants would have ridden horseback in the general area so that my clients could point out damages associated with past subsidence so that perhaps future such problems could be avoided. It has been my clients' intention all along to advise DOGM staff of the potential problems that may arise as a result of the anticipated mining operations of Horizon Coal Company or its successor. Obviously, my clients want to address potential impacts at this stage rather than waiting to see if problems arise at a later date. That meeting, however, was canceled and there have been no follow-up meetings scheduled. My clients remain frustrated and concerned and have asked me to become involved to see if there is any way we can receive some input and assistance from DOGM.

At a minimum, we would appreciate your personal involvement in this matter to arrange for a meeting with someone from your staff that could provide some information and who could answer questions for my clients. Again, my clients are most interested in pointing out to members of DOGM's staff problems that they feel have arisen as a result of the past mining operations of the Beaver Creek Coal Company. In addition, my clients would like to ask questions of members of your staff regarding the future operations of Horizon Coal Company or its successors with respect to development of a coal mine that will include the land beneath the surface of the Stamatakis property.

My clients' property has a significant value for purposes of livestock grazing, hunting and recreational housing development. The threat of further subsidence damage and the possibility that the flow of water on the property may potentially be decreased as a result of future mining operations, is of great concern to them. We trust that you can understand those concerns and request

assistance in authorizing a member of your staff to discuss these matters in greater detail with my clients.

I am also enclosing herewith a copy of a letter dated December 13, 1995 that was forwarded to Gary Roeder, District Conservationist of the NRCS in Price, Utah from Robert C. Rasely, Geologist for the NRCS Utah. I am enclosing that letter as verification of my clients' concerns. A tour of the property was conducted Mr. Rasely. As you can see from his letter, he has identified obvious problems on the surface on the Beaver Creek Valley. To date, it does not appear that my clients' concerns have been taken seriously. I felt that perhaps the geologist's letter would give you some additional indicating that their concerns are serious and valid and are worthy of at least some review and discussion by and with your staff.

Thank you for your attention to this matter. We look forward to hearing back from you at your earliest convenience.

Sincerely,

Nick Sampinos

Nick Sampinos
Attorney for Steve and Pete
Stamatakis

NS/nn
Enclosures
xc: Steve Stamatakis
Pete Stamatakis

TOWNSHIP 13 SOUTH, RANGE 8 EAST, SLB&M

Section 4:	W 1/2; W 1/4 NE 1/4
Section 5:	W 1/2 NW 1/4; NW 1/4 SW 1/4; NE 1/4; E 1/2 SE 1/4; SW 1/4 SE 1/4; SE 1/4 SW 1/4
Section 6:	Lots 1 & 2; SE 1/4 NW 1/4; S 1/2 NE 1/4; S 1/2
Section 7:	Lots 1, 2, 3; E 1/2 SW 1/4; E 1/2 NW 1/4; SE 1/4; SE 1/4 NE 1/4
Section 8:	E 1/2 NW 1/4; SW 1/4 NW 1/4; NE 1/4; N 1/2 S 1/2;
Section 9:	NW 1/4
Section 18:	Lot 1; NE 1/4 NW 1/4

TOWNSHIP 12 SOUTH, RANGE 8 EAST, SLB&M

Section 31: Lots 4, 5, 6

EXCEPTING therefrom, all coal, oil, gas and other minerals from all parcels.

LESS:

Beginning on the South line of the SW 1/4 of the NE 1/4 of Section 5 and the East boundary line of Utah Power & Light Company land at a point 2270 feet west, more or less, from the East one quarter corner of Section 5, T13S,R8E, SLM, and running thence North 22 deg. 37' West 1090 feet, more or less, to the West line of said SW 1/4 of the NE 1/4 and being 65 feet perpendicularly distant northeasterly from Utah Power & Light Company's Huntington-Spanish Fork 345 kV power line, thence North 338.3 feet along said West Boundary line, thence South 22 deg. 37' East 1455.8 feet, more or less to the South boundary line of said SW 1/4 of the NE 1/4, and being 195 feet perpendicularly distant northeasterly from Utah Power & Light Company's Huntington-Spanish Fork 345 kV power line, thence West 140.58 feet along said South boundary line to the point of beginning. Containing 3.8 acres, more or less.

ALSO LESS:

Beginning on the east section line of Section 8 at a point 13.2 feet South, m/l from the East 1/4 corner of Section 8, T13S, R8E, SLBM, and running thence North 22 deg. 37' West 4288 feet, more or less, being 65 feet perpendicularly distant northeasterly from Utah Power and Light Company's Huntington-Spanish fork 345 kV power line, thence East 140.6 feet; thence South 22 deg. 37' East 4273.8 feet; m/l, to the South line of the SW 1/4 of the NW 1/4 of Section 9, and being 195 feet perpendicularly distant northeasterly from Utah Power & Light Company's Huntington-Spanish Fork 345 kV power line, thence West 135.1 feet; m/l along said South line to the West 1/4 corner of Section 9 to the point of beginning. Containing 12.76 acres, more or less.

Together with all of Grantors' interest in, and without warranties expressed or implied, to water rights evidenced by Water Users Claims Numbered 91-1905 through 91-1919, 91-1926 through 91-1931, 91-1941, 91-1943 through 91-1956, 91-1426 through 91-1450, 91-1452 through 91-1472, 91-1474 and 91-312.

Subject to a perpetual easement and right of way upon and across the above described property by existing roads and trails or any roads or trails which may be built in the future by property owner for ingress to and egress from the following described property in Carbon County, Utah.

NE¼ SW¼ and Lot 3, Sec. 31, T12S R8E SLB&M; Lots 3 and 4, Sec 18, T13S R8E SLB&M; Lot 4, Sec 7, T13S R8E SLB&M

NICK SAMPINOS
Attorney at Law

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November 9, 1994

State of Utah
Division of Oil, Gas & Mining
3 Triad Center, Suite 350
Salt Lake City, Utah 84180

Attn: Lowell Braxton

RE: Beaver Creek Coal Company - Steve and Pete Stamatakis

Mr. Braxton:

This letter is submitted as a follow-up to our telephone conversation of Tuesday, November 8, 1994 regarding the concerns of certain of my clients with respect to the mining activities of Beaver Creek Coal Company in the Gordon Creek area of Carbon County, Utah.

Please be advised that my clients, Steve Stamatakis and Pete Stamatakis, brothers and residents of Carbon County, Utah, own approximately 2800 acres of mountain range land in the Beaver Creek drainage in Carbon County, Utah. A legal description of the land owned by my clients is attached herewith.

My clients have expressed concern to me on several occasions regarding their observations of certain perennial springs and at least one perennial stream that runs through their property. Over the past several years, my clients have noticed that the perennial springs and the stream (Beaver Creek) which runs through the property, have been very limited in flow. To my clients knowledge, the springs as well as Beaver Creek have historically produced much more water than is being currently produced. Please understand that my clients have been in the sheep ranching business for all of their adult lives and are very familiar with the topography of the subject parcel of land as well as the surrounding ranches.

It is my clients' belief that the mining activities of the Beaver Creek Coal Company may have extended beneath the surface of their land and that those activities may have created or caused a loss in perennial spring and stream production.

As I indicated, one of my clients had observed Scott Milovich working in the Gordon Creek area several weeks ago. He and Scott had a discussion regarding his concerns about the Beaver Creek Coal Company's operations. At that time Scott had indicated a

willingness to at least investigate the concerns of my clients and to meet with them at a future time. In mentioning that scenario to you, you indicated that Scott had moved on to another job but that your office is still interested in responding to citizens' concerns.

By attaching herewith a copy of my clients' legal description, I am hopeful that your staff may be able to determine whether the mining activities of Beaver Creek Coal Company extended below the surface of my clients' land. If those mining operations do indeed extend below their surface, I would appreciate an opportunity to schedule a meeting with members of your staff on site to address my clients' concerns.

Additionally, with respect to the perennial stream that runs through my clients' property, the headwaters of that stream are situated on a neighboring ranch approximately a mile and a half to the west. It would be helpful to know whether the mining activities of Beaver Creek Coal Company extended to the west of my clients' property into the area where the headwaters of the Beaver Creek are located.

Again, I appreciate you attention to my clients' concerns. We will await a response. As I indicated, it may be helpful to meet on site as soon as possible if such a visit is warranted.

Thanks. I will await to hear from you.

Sincerely,

Nick Sampinos

Nick Sampinos

NS/nn
Enclosure
xc: Steve Stamatakis
Pete Stamatakis

United States Department of Agriculture
Natural Resources Conservation Service
P.O. Box 11350
Salt Lake City, UT 84147
Telephone (801) 524-5050

Subject: ENG - Geology - Beaver Creek Valley Water Loss, S. Stamatakis Ranch

Date: December 13, 1995

To: Gary Roeder
District Conservationist
NRCS, Price, Utah

File Code: 210-16

PARTICIPANTS: George Cook, Range Conservationist, NRCS, Price, UT
Bob Rasely, Geologist, NRCS, Salt Lake City, UT
Steve Stamatakis, Rancher

LOCATION: Nephi, UT, 1:100,000 metric topographic map
Jump Creek 7.5" USGS Topographic Quad, #Q2126
T13S, R7E, Sec. 12; T13S, R8E, Sec. 7-18.
Area of concern is along the Beaver Creek Valley.
(See attached map)

BACKGROUND: Over the last few years Steve Stamatakis, rancher, had been noticing decreasing water flow in his 2 cfs Beaver Creek water right. This year the flow decreased dramatically and was observed, during the field reconnaissance by NRCS personnel, to be approximately 30-40 gallons per minute on November 6, 1995

SETTING: The area is located in the Wasatch Plateau along Beaver Creek - a tributary to White River of the Price River Basin in the Colorado Plateau physiographic province. The area is at 8400 to 8800 feet in elevation. The creek has a gradient of approximately 2%.

The area is dominantly pine forest in rolling hills with willows, reeds, and grasses along the stream corridor. The creek and flood plain form a healthy riparian habitat. The creek valley has a flood plain that averages 100 feet wide and is relatively flat in cross section. The creek is flowing in a well developed, shallow channel (1-2 feet in depth) with occasional short reaches that are moderately entrenched (5-10 feet in depth). The valley floor terrain is characterized by a stair-step-like channel profile with occasional drops of one or two feet and long reaches of low gradient. The greater channel depths occur below the knickpoints of the steps.

OBSERVATIONS: Evidence of beaver activity was observed throughout the valley area. Beaver dams occur at the knickpoints and backup water into the flatter areas. There is no recent beaver activity in the valley for this year. It appears that the beaver have abandoned the area.

The rancher relates that the sinkhole damage has been developing over the last few years and that it became concerning this year with the dramatic decrease in water right and the noticeable increase in fallen large live trees. Many scattered small sinkholes were observed throughout the south (right side, viewing downstream) side of the stream for at least two miles of channel. These sinkholes appear like karst sinkholes characteristic of limestone topography. The topsoil is intact in the bottom of the holes and the sides of the collapse are vertical. The collapse holes appear fresh and are not degraded by erosion, therefore, they are probably recent in origin within the last two years. There are many sinkholes that are about one foot deep and about one foot in diameter. The largest observed sinkhole was about 12 feet in diameter and 7 feet deep. See map for location of sinkhole zone.

Along with the sinkholes there were numerous trees in the valley bottom and on the south hillside that were recently fallen over with green pine needles. These trees were averaging 2-3 feet in diameter and around 50 feet tall. These were normally healthy trees that have been caught in a collapse area. Dead trees were observed standing upright in a collapse hole. These trees probably had their roots severed by the collapse process.

Stream flow in this creek is usually a gaining flow with contributions from ground water occurring throughout the upper creek. Now the stream is a losing stream throughout the upper reach. Stream flow is being intercepted by the collapsed sinkholes. There may be a general collapse of the entire valley bottom that is creating several widely spaced knickpoint stream erosion zones.

The immediate area in section 12 where the forest roads meet is a dewatered former willow wetland area. This area is about 3 acres in size. It has dead willows and dead wetland plants in an area that is now an upland sagebrush flat. The soil is dark and organic with mottling near the surface indicating a wetland soil type. There are scattered areas of dead willow throughout the upper stream area.

GEOLOGY: The area is underlain by the Cretaceous age Blackhawk formation of the Mesaverde Group and is composed of terrestrial sandstone, siltstone, shale and coal layers (USGS Map I-1937). The bedrock in the area is poorly exposed. The sedimentary formations dip to the west at about 10 degrees. The subsurface drainage for the deep aquifers is to the west. The streams are draining to the east-northeast and therefore, are entrenched against the rock structural trend. There is no limestone in the area.

There are small active landslides in them upper stream valley. One of these is impacting the unimproved access road in the valley. The landslide does not appear to have a significant ground water component as is typical with the arc-shaped landslides.

MINING: The area around the creek valley has been subject to underground coal mining activity over the last one hundred years or so. Standard mining practice is to leave pillars of coal within the mined-out area to hold up the roof. According to the rancher, the area under the valley has had the pillars removed. This process can lead to mine roof collapse and result in mine related surface subsidence.

In section 21 at the junction of the access road and the road leading to an old mine portal, there is significant water issuing from the portal area. This water flows across the road and has resulted in destabilizing the North Fork Gordon Creek bank adjacent to the access road. The access road is actively involved in the landslide created by the wetting of the steep creek bank. This process is relatively recent according to the rancher and appears geologically new with little degrading erosion occurring on the fresh landslide area. It also appears that the landslide area is widening and will impact lore of the length of the road in the near future. It is possible that this new water flow from the mine portal and the recent loss of the Beaver Creek water are related. However, it should be noted that this is not a proven fact.

CONCLUSIONS: The water right of the rancher is being impacted by collapse of the Beaver Creek valley surface in the form of sinkholes. The sinkholes may be related to collapse of a coal mine that has had the pillars removed. This conclusion is tentative because no substantiation of pillar removal or mine location has been obtained.

It should be noted that there is no natural geologic condition that would create sinkholes in this area. This type of collapse could continue for a long time into the future (possibly longer than one hundred years). The land character will be altered permanently.

The mine related sinkhole occurrence is an active process and is increasing in intensity. Unaddressed, this process will dewater the valley and turn a thriving riparian wet meadow into a dry sagebrush upland. Erosion in the stream bottom will become severe and sediment yield could become an impact to the upper Price River watershed.

RECOMMENDATIONS: It is recommended that the water be piped throughout the collapsing zone. The pipe would need outlets to water tanks for livestock. Ponds in the natural terrain are not recommended because of the collapse problem. The stock watering system could be enhanced to account for wildlife watering too. The pipe system must have flexibility to account for some stretch related to continued collapse of the mine roof. There would have to be a collection system to put the water in the pipeline.

The dewatering of the valley would significantly slow the collapse process but it would not stop it. Natural water inflow from storms and snow melt would continue stimulating the collapse but at a slower rate. This would accomplish the following items:

(1) eliminate the potential downstream water quality impacts,
(2) possibly slow the off-site road collapse in section 21, and
(3) allow for continued wildlife and livestock use of the area.

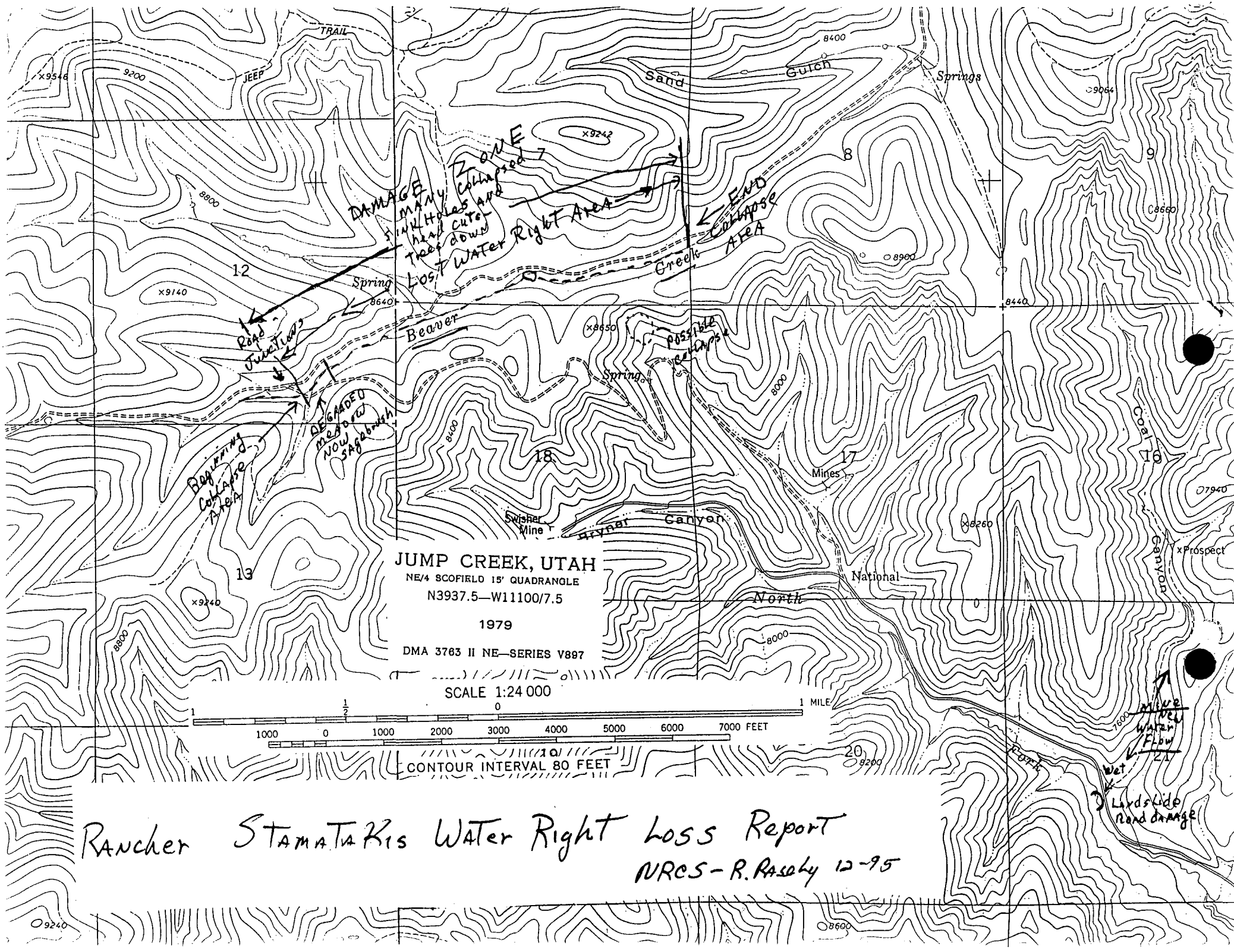
This proposal would also have the following impacts:

(1) it will probably not completely restore the rancher's water right because lateral ground water flows into the valley from the surrounding area would be lost,
(2) the wetland meadow aspect of the area would not be restored; it should be noted that this aspect may never be able to be restored,
(3) there will be significant operation and maintenance costs involved in maintaining the pipeline in an actively collapsing area; pipe breaks will be common at first but may decrease in occurrence with time after dewatering.

It is important to keep in mind that mine-related collapse has PERMANENTLY altered the upper Beaver Valley ecology and that the above proposal is one of a limited number of possibilities that will only partially mitigate this occurrence. Full environmental restoration and complete on-site mitigation is not considered possible in this situation.

ROBERT C. RASELY
Geologist

cc:
Marilyn O'Dell, NRCS, ASTC, SLC, UT
George Cook, Range Conservationist, NRCS, Price, UT (3 copies)
Louis Amodt, Geologist, UDNR, Div Oil, Gas and Mining, UT
Michael Lowe, Geologist, UDNR, Utah Geol Survey, UT


JUMP CREEK, UTAH
NE/4 SCOFIELD 15' QUADRANGLE
N3937.5—W11100/7.5
1979
DMA 3763 II NE—SERIES V897
SCALE 1:24 000
1 MILE
1000 0 1000 2000 3000 4000 5000 6000 7000 FEET
CONTOUR INTERVAL 80 FEET
TRAIL
JEEP
Sand Gulch
Springs
DAMAGE ZONE
many sinkholes and head cuts - trees down
Lost Water Right Area
End Collapse Area
Spring
Beaver Creek
Road "Junction"
Beginning Collapse Area
REGRADED meadow now sagebrush
possible seeps
Swisher Mine
Bryner Canyon
Mines
Coal Canyon
Prospect
National
North
Live Well Water Flow
Wet
Landslide road damage
Rancher STAMATAKIS Water Right Loss Report
NRCS - R. Rasely 12-95