

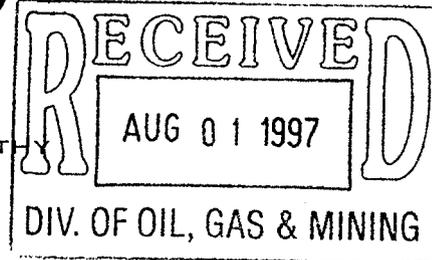
LAW OFFICES OF
VAN COTT, BAGLEY, CORNWALL & McCARTHY

A PROFESSIONAL CORPORATION
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ADDRESS ALL CORRESPONDENCE TO
POST OFFICE BOX 45340
84145-0340



DENISE A. DRAGOO

DIRECT DIAL: (801) 237-0465
E-MAIL: ddragoo@vancott.com

August 1, 1997

HAND DELIVERED

Ms. Pamela Grugaugh-Littig
Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

Bond Cancelled
off.
Copy Pam
7/11/97

RE: RECLAMATION BOND - HORIZON COAL CORPORATION,
ACT/007/020 # *BY*

Dear Pam:

On behalf of Horizon Coal Corporation ("Horizon"), thank you for providing us with a copy of the accepted permit transfer for the Horizon Coal Mine, ACT/007/020. Now that Horizon's new reclamation agreement and replacement surety bond have been accepted, please release the prior surety bond of Sedgwick James under R645-301-870.200. We understand that Horizon's bond replacement does not constitute a release. We would appreciate written confirmation of the release of this bond. In addition, please return the canceled surety bond to:

Ms. Betty Acrtzberg
Sedgwick James of Tennessee, Inc.
4700 Old Kingston Pike
Knoxville, Tennessee 37919

Thank you for your assistance with this matter.

Very truly yours,

Denise A. Dragoo

File ACT/007/020
Folder #4

DAD:jmc:146337

- cc: Betty Acrtzberg
- Scott Kiscaden
- Todd Kiscaden
- Larry Jones

Exhibit "B" - BONDING AGREEMENT
SURETY BOND

Permit Number: 007/020

SURETY BOND
(NON-FEDERAL COAL)
--00000--

BOND NUMBER: 400JU4131

THIS SURETY BOND entered into and by and between the undersigned PERMITTEE/PRINCIPAL, and SURETY, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors and assigns unto the State of Utah, Division of Oil, Gas and Mining (DIVISION), and the penal sum of (\$ 209,200.00) (Surety Bond Amount) for the timely performance of reclamation responsibilities of the surface disturbance described in Exhibit "A" of this Reclamation Agreement. Surety Company has performed due diligence to its satisfaction the basis for the Surety Bond amount, including without limitation inspection of the Area described in Exhibit "A".

This SURETY BOND shall remain in effect until all of the PERMITTEE's/PRINCIPAL's reclamation obligation have been met and released by the DIVISION and is conditioned upon faithful performance of all of the requirements of the Act, the applicable regulations and rules, the approved permit and the PAP as approved by the Division.

The SURETY will not cancel this bond at any time for any reason, including non-payment of premium or bankruptcy of the Principal during the period of liability.

The SURETY and their successors and assigns, agree to guarantee the obligation and to indemnify, defend, and hold harmless the DIVISION and from any and all expenses which the DIVISION and may sustain as a result of the PERMITTEE's /PRINCIPAL's failure to comply with the condition(s) of the reclamation obligation.

The SURETY will give prompt notice to the PERMITTEE/PRINCIPAL and to the DIVISION of any notice received or action alleging the insolvency or bankruptcy of the SURETY, or alleging any violations or regulatory requirements which could result in suspension or revocation of the SURETY's license.

Upon incapacity of the SURETY by reason of bankruptcy, or suspension or revocation of license, the Permittee shall be deemed to be without bond coverage in violation of state and federal law and subject to enforcement in accordance with SMCRA, the Act, and the applicable regulations and rules.

The terms for release or adjustment of this BOND are as written and agreed to by the DIVISION and the PERMITTEE/PRINCIPAL in the RECLAMATION AGREEMENT, (effective date of Oct., 10, 1996) incorporated by reference herein, to which this SURETY AGREEMENT has been attached as Exhibit "B".

Exhibit "B" - BONDING AGREEMENT
SURETY BOND

IN WITNESS WHEREOF, The PERMITTEE/PRINCIPAL has hereunto set its signature and seal
this 8th day of October, 19 96.

HORIZON COAL CORPORATION
PERMITTEE/PRINCIPAL
By: Rick Gilman
Title: PRESIDENT

State of Tennessee)
County of Knox)ss:

IN WITNESS WHEREOF, the SURETY has hereto set its signature and seal this 8th
day of October, 19 96.

Subscribed and sworn to before me this 8th day of October, 19 96

Elizabeth A. Hartzberg
Print Name
Elizabeth A. Hartzberg
Notary Public

My Commission Expires: November 29, 19 99

ST. PAUL FIRE AND MARINE INSURANCE COMPANY
SURETY
By: Janice H. Fennell
Title: Janice H. Fennell, Attorney-in-Fact

State of Tennessee)
County of Knox)ss:

ACCEPTED BY THE STATE OF UTAH:

[Signature]
Director - Division of Oil, Gas and Mining

NOTE: An AFFIDAVIT OF QUALIFICATION must be completed and attached to this form for each authorized agent of officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Agreement. If the PERMITTEE is a corporation, the Agreement shall be executed by its duly authorized officer