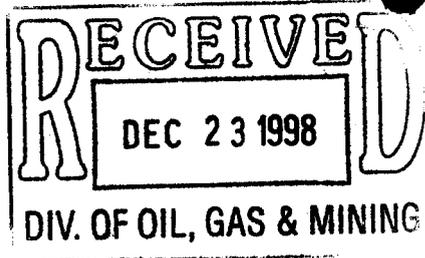


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December 22, 1998

*Via Facsimile, 359-3940, & U.S. Mail*Ms. Mary Ann Wright
State of Utah
Department of Natural Resources
Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
P.O. Box 14580
Salt Lake City, Utah 84114-5801ACT/007/020 #2
Mary Ann, Joe,
Daron**RE: Waste Rock, Horizon Mining, LLC, ACT/007/020-98E, File #3,
Carbon County, Utah**

Dear Ms. Wright:

We have been requested by Horizon Mining, LLC ("Horizon"), to respond to the Division's letter dated December 15, 1998, regarding the waste rock storage facility at the Horizon Mine. The Operation Plan for the Horizon Mine addresses waste rock storage at Chapter 3 of the Mining & Reclamation Plan ("MRP"), as amended September 1998. Horizon Mine is operating consistent with this Operation Plan which provides that waste rock generated at the Horizon Mine will be disposed of either by being blended with coal and shipped to customers, stored in mine workings or hauled to Sunnyside Cogeneration Association's facility ("Sunnyside"). The plan provides that refuse material will be segregated on the coal stockpile for temporary storage. MRP, pages 3-6, 3-7. This plan meets the requirements of R645-301-536. In addition to hauling to Sunnyside, Horizon is now proposing to ship waste rock to the Willow Creek wash plant to be washed by Cypress-Amax and blended with other coals.

Horizon will be submitting a C-1 and C-2 form to change Chapter 3, Pages 3-7 and 3-7 of its permit to identify Willow Creek as one of the locations for shipping waste rock. In addition, Horizon will request Willow Creek to make corresponding changes in their MRP. Horizon will be unable to remove the material off-site by February 1, 1999, the date suggested by the Division's letter. The Willow Creek wash plant is currently processing Genwal coal and will not be available to process Horizon's coal for a period of four to six weeks. For this reason, the waste rock cannot be removed by February 1, 1999, and Horizon seeks to extend this period until March 15, 1999.

The Division has also requested a proposed reclamation bond estimate which would increase Horizon's reclamation bond by approximately \$40,000 for the removal of coal waste to Sunnyside. Horizon is now proposing to remove waste coal approximately 15 miles to the Willow Creek wash plant which is a much shorter haul than Sunnyside. The coal haul has been bid for \$1.85/ton and Horizon estimates that it has some 30,000 tons of coal waste. The coal waste will be washed and sold for blending with other coals at a price which may well exceed the cost of trucking. Therefore, the removal and sale of coal waste should not result in a reclamation expense.

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If necessary, Horizon will amend its current bond estimate to reflect these costs at pages A3-7-7 and A3-7-8 of the MRP. However, this coal waste will not be permanently stored onsite; therefore, Horizon questions the need for increasing the reclamation cost estimate. The Utah Coal Program sets no definite timeframe for temporary waste storage and waste is being stored consistent with Horizon's approved MRP. We believe that much of the waste pile will be removed to Cypress-Amax by March 15, 1998. Therefore, Horizon requests that there be no bond increase if the majority of the waste is removed by that date to a permitted location.

We appreciate your assistance in this matter.

Very truly yours,



Denise A. Dragoo

DAD:jmc:71130

Enclosure

cc: Larry Jones
Mark Wayment
Joseph Helfrich
William Malencik
Vicky Miller

