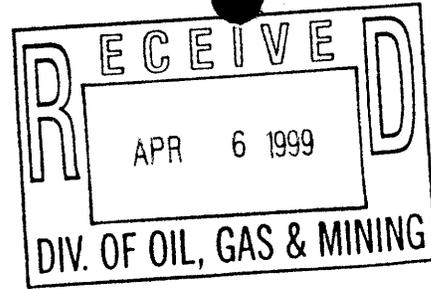


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SALT LAKE CITY, UTAH
 PHOENIX, ARIZONA
 TUCSON, ARIZONA
 IRVINE, CALIFORNIA

April 5, 1999

Via Facsimile & U.S. Mail

Mr. Richard Manus
 Field Manager
 Price Field Office
 125 South 600 West
 Price, Utah 84501

ACT/007/020 #2

Pam, Daron

Fax Bill

RE: Order Dated March 29, 1999 - Federal Coal Lease UTU-74804

Dear Field Manager Manus:

Pursuant to the Bureau of Land Management's ("BLM's") Order dated March 29, 1999 ("Order"), Horizon Mining, LLC ("Horizon") submitted a certified mine map meeting the requirements of 43 CFR 3482.3(b). As set forth therein, mining conditions within the Horizon Mine have necessitated the operator to mine outside the area currently permitted for operations within the federal lease. As counsel for Horizon, we have been requested to propose the following abatement plan by which Horizon may cure its breach of lease and come into compliance with the Utah Coal Mining and Reclamation Act (the "Act") within the next thirty days:

1. Although mining conditions necessitated Horizon's operations outside the area permitted under ACT/007/020, these operations constitute an uninterrupted extension of previously permitted operations and an application for a permit to conduct such operations is pending before the Utah Division of Oil, Gas & Mining (the "Division").
2. By letter dated March 26, 1999, Earthfax Engineering, Inc., submitted Horizon's incidental boundary change for Mine Permit No. ACT/007/020 to the Division. This application for permit change seeks to increase the permit area by 46 acres and include operations outside the current permit boundary. By letter dated April 5, 1999, enclosed, the Division confirmed receipt of the application and indicated that the federal Office of Surface Mining ("OSM") will require federal mine plan approval pursuant to 30 CFR §§ 746.11(a) and 746.18(d)(4).

Snell & Wilmer

LLP

Mr. Richard Manus

April 5, 1999

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3. Horizon agrees to withdraw from the unpermitted area within the next thirty days and will proceed with mine operations within the permitted area until federal mine plan approval of the incidental boundary change is obtained.
4. Horizon will continue to pump water, control the roof and secure the unpermitted area as necessary for mine safety and health purposes beyond the 30-day abatement period.

Please let me know if this proposed plan of abatement is acceptable to the BLM. We appreciate your assistance in this matter.

Very truly yours,



Denise A. Dragoo

DAD:jmc:79162

cc: Larry Jones
Alan Rabinoff
Bruce Hill, Esq.
Lowell Braxton
Steve Falk
William Malencik



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

April 5, 1999

Denise Dragoo, Resident Agent
Horizon Mining, LLC
c/o Snell & Wilmer, LLP
111 East Broadway, Suite 900
Salt Lake City, Utah 84111

Re: Response to April 2, 1999 Letter, Horizon Mining, LLC, Horizon Mine, ACT/007/020,
Folder #2, Carbon County, Utah

Dear Ms. Dragoo:

The Division is in receipt of your letter dated April 2, 1999 (fax date). The assumption about the requirement for a mining plan approval is incorrect. There is a difference between "federal coal" included in the approved right-of-way (UTU-73227) and "leased federal coal" that is included in federal coal lease UTU-74804. "Leased federal coal" requires a mining plan approval. The submittal for the 46-acre incidental boundary change (received at the Division on March 26, 1999) will require a federal mining plan approval prior to mining leased federal coal.

If you have any questions, please let me know.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Pamela Grubaugh-Littig'.

Pamela Grubaugh-Littig
Permit Supervisor

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