

0003

L. Dean Rees
Sr. V.P. - Finance &
Administrative Services

SAVAGE

Savage Services Corporation
6340 South 3000 East #600
Salt Lake City, UT 84121
(801) 944-6600
Fax (801) 944-6500

February 26, 2004

Pamela Grubaugh-Littig
State of Utah
Division of Oil, Gas & Mining
P.O. Box 145801
Salt Lake City, UT 84114-5801

Fireproof
C/007/0022
CC: PIC C/007/0022 ✓

Dear Ms. Grubaugh-Littig:

Enclosed is a reclamation bond as required by the State of Utah in the amount of \$2,525,000 which covers the property at our coal handling terminal in Carbon County. This bond replaces the bond currently on file. Please return the previous bond so it may be appropriately cancelled by the Surety.

Thank you for your attention to this matter. If you have any questions you may call me at the above listed number.

Sincerely,



L. Dean Rees

RECEIVED

FEB 27 2004

DIV. OF OIL, GAS & MINING

EXHIBIT "B"

**Bonding Agreement
Surety Forms**

(Non-Federal Coal)

Bond Number: .

EXHIBIT "B"
SURETY BOND
(NON-FEDERAL COAL)

--ooOOoo--

This **SURETY BOND** entered into by and between the undersigned **PERMITTEE/PRINCIPAL SAVAGE SERVICES CORPORATION**, and **SURETY LIBERTY MUTUAL INSURANCE COMPANY**, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors and assigns unto the State of Utah, Division of Oil, Gas & Mining (**DIVISION**) in the penal sum of TWO MILLION FIVE HUNDRED TWENTY-FIVE THOUSAND AND NO/100 DOLLARS (\$2,525,000.00) (\$) (Surety Bond Amount) for the timely performance of reclamation responsibilities of the surface disturbance described in Exhibit "A" of the Reclamation Agreement.

This **SURETY BOND** will 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 rules and regulations, the approved permit, and 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.

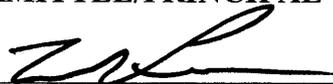
The **SURETY** and their successors and assigns, agree to guarantee the obligation and to indemnify, defend, and hold harmless the **DIVISION** from all expenses which the **DIVISION** may sustain as a result of the **PERMITTEE'S/PRINCIPAL'S** failure to comply with the condition(s) of the reclamation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

Terms for release or adjustment of the **BOND** are as written and agreed to by the **DIVISION** and the **PERMITTEE/PRINCIPAL** in the **RECLAMATION AGREEMENT** incorporated by reference herein, to which this **SURETY AGREEMENT** has been attached as Exhibit "B".

IN WITNESS WHEREOF, the **PERMITTEE/PRINCIPAL** has hereunto set it's signature and seal this 9TH day of DECEMBER, 2003.

SAVAGE SERVICES CORPORATION
PERMITTEE/PRINCIPAL

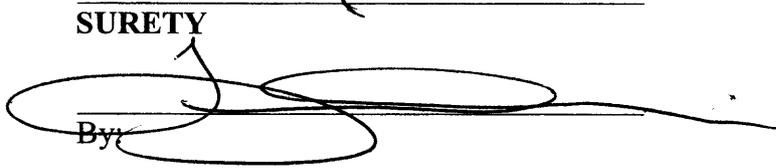
By: 

Title: S.V.P.

Bond Number: _____

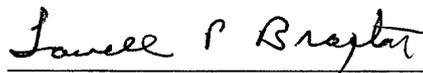
IN WITNESS WHEREOF, the SURETY has hereto set it's signature and seal
this 9TH day of DECEMBER, 2003.

LIBERTY MUTUAL INSURANCE
COMPANY
SURETY

By: 

TINA DAVIS, ATTORNEY-IN-FACT
Title:

ACCEPTED BY THE STATE OF UTAH:



Director,
Division of Oil, Gas & Mining

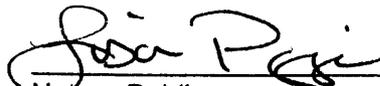
NOTE: An **Affidavit of Qualification** must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Agreement. If the **PERMITTEE/PRINCIPAL** is a corporation, the Agreement shall be executed by it's duly authorized officer.

AFFIDAVIT OF QUALIFICATION
PERMITTEE
--oo00oo--

I, L. DEAN REES being first duly sworn under oath, deposes and says that he/she is the SR. VICE PRESIDENT of SAVAGE SERVICES CORPORATION, the **PERMITTEE**; and that he is duly authorized to execute and deliver the foregoing obligations; and that said **PERMITTEE** is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.



Subscribed and sworn to before me this 9TH day of DECEMBER, ~~XX~~ 2003



Notary Public

My Commission Expires: _____

Attest:

STATE OF UTAH)

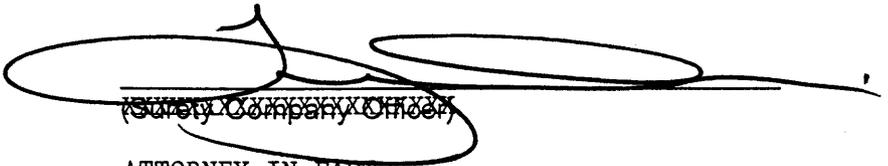
COUNTY OF SALT LAKE)ss:



AFFIDAVIT OF QUALIFICATION
SURETY COMPANY

--oo00oo--

I, TINA DAVIS, being first duly sworn
under oath, deposes and says that he/she is the (officer or agent) ATTORNEY-IN-FACT
of LIBERTY MUTUAL INSURANCE COMPANY; and that he/she is duly
authorized to execute and deliver the foregoing obligations; and that said **SURETY**
COMPANY is authorized to execute the same and has complied in all respects with the laws
of Utah in reference to becoming sole surety upon bonds, undertakings and obligations
herein.


~~(Surety Company Officer)~~
ATTORNEY-IN-FACT

(Position)

Subscribed and sworn to before me this 9TH day of DECEMBER, ~~XX~~ 2003

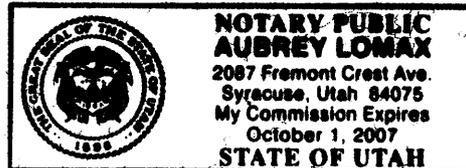

Notary Public

My Commission Expires: 10/1/07

Attest:

STATE OF UTAH)

COUNTY OF SALT LAKE)ss:



THIS POWER OF ATTORNEY IS NOT VALID UNLESS IT IS PRINTED ON RED BACKGROUND.

This Power of Attorney limits the acts of those named herein, and they have no authority to bind the Company except in the manner and to the extent herein stated.

LIBERTY MUTUAL INSURANCE COMPANY
BOSTON, MASSACHUSETTS
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS: That Liberty Mutual Insurance Company (the "Company"), a Massachusetts stock insurance company, pursuant to and by authority of the By-law and Authorization hereinafter set forth, does hereby name, constitute and appoint JACE PEARSON, TINA DAVIS, DORIS MARTIN, KAREN HONE, VICKI SORENSEN, ALL OF THE CITY OF SALT LAKE CITY, STATE OF UTAH.....

each individually if there be more than one named, its true and lawful attorney-in-fact to make, execute, seal, acknowledge and deliver, for and on its behalf as surety and as its act and deed, any and all undertakings, bonds, recognizances and other surety obligations in the penal sum not exceeding SEVENTY-FIVE MILLION AND 00/100***** DOLLARS (\$ 75,000,000.00*****) each, and the execution of such undertakings, bonds, recognizances and other surety obligations, in pursuance of these presents, shall be as binding upon the Company as if they had been duly signed by the president and attested by the secretary of the Company in their own proper persons.

That this power is made and executed pursuant to and by authority of the following By-law and Authorization:

ARTICLE XIII - Execution of Contracts: Section 5. Surety Bonds and Undertakings.

Any officer of the Company authorized for that purpose in writing by the chairman or the president, and subject to such limitations as the chairman or the president may prescribe, shall appoint such attorneys-in-fact, as may be necessary to act in behalf of the Company to make, execute, seal, acknowledge and deliver as surety any and all undertakings, bonds, recognizances and other surety obligations. Such attorneys-in-fact, subject to the limitations set forth in their respective powers of attorney, shall have full power to bind the Company by their signature and execution of any such instruments and to attach thereto the seal of the Company. When so executed such instruments shall be as binding as if signed by the president and attested by the secretary.

By the following instrument the chairman or the president has authorized the officer or other official named therein to appoint attorneys-in-fact:

Pursuant to Article XIII, Section 5 of the By-Laws, Garnet W. Elliott, Assistant Secretary of Liberty Mutual Insurance Company, is hereby authorized to appoint such attorneys-in-fact as may be necessary to act in behalf of the Company to make, execute, seal, acknowledge and deliver as surety any and all undertakings, bonds, recognizances and other surety obligations.

That the By-law and the Authorization set forth above are true copies thereof and are now in full force and effect.

IN WITNESS WHEREOF, this Power of Attorney has been subscribed by an authorized officer or official of the Company and the corporate seal of Liberty Mutual Insurance Company has been affixed thereto in Plymouth Meeting, Pennsylvania this 27th day of October, 2003.

LIBERTY MUTUAL INSURANCE COMPANY

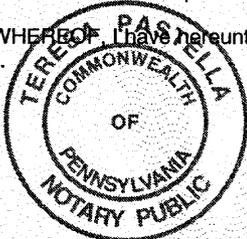
By Garnet W. Elliott
Garnet W. Elliott, Assistant Secretary



COMMONWEALTH OF PENNSYLVANIA ss
COUNTY OF MONTGOMERY

On this 27th day of October, 2003, before me, a Notary Public, personally came Garnet W. Elliott, to me known, and acknowledged that he is an Assistant Secretary of Liberty Mutual Insurance Company; that he knows the seal of said corporation; and that he executed the above Power of Attorney and affixed the corporate seal of Liberty Mutual Insurance Company thereto with the authority and at the direction of said corporation.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed my notarial seal at Plymouth Meeting, Pennsylvania, on the day and year first above written.



Notarial Seal
Teresa Pastella, Notary Public
Plymouth Twp., Montgomery County
My Commission Expires Mar. 26, 2005
Member, Pennsylvania Association of Notaries

By Teresa Pastella
Teresa Pastella, Notary Public

CERTIFICATE

I, the undersigned, Assistant Secretary of Liberty Mutual Insurance Company, do hereby certify that the original power of attorney of which the foregoing is a full, true and correct copy, is in full force and effect on the date of this certificate; and I do further certify that the officer or official who executed the said power of attorney is an Assistant Secretary specially authorized by the chairman or the president to appoint attorneys-in-fact as provided in Article XIII, Section 5 of the By-laws of Liberty Mutual Insurance Company.

This certificate and the above power of attorney may be signed by facsimile or mechanically reproduced signatures under and by authority of the following vote of the board of directors of Liberty Mutual Insurance Company at a meeting duly called and held on the 12th day of March, 1980.

VOTED that the facsimile or mechanically reproduced signature of any assistant secretary of the company, wherever appearing upon a certified copy of any power of attorney issued by the company in connection with surety bonds, shall be valid and binding upon the company with the same force and effect as though manually affixed.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the said company, this 9TH day of DECEMBER, 2003.



By David M. Carey
David M. Carey, Assistant Secretary

Not valid for mortgage, note, loan, letter of credit, bank deposit, currency rate, interest rate or residual value guarantees.

To confirm the validity of this Power of Attorney call 1-610-832-8240 between 9:00 am and 4:30 pm EST on any business day.

**NOTICE FROM SURETY REQUIRED BY
TERRORISM RISK INSURANCE ACT OF 2002**

In accordance with the Terrorism Risk Insurance Act of 2002 (referred to hereinafter as the "Act"), this disclosure notice is provided for surety bonds on which one or more of the following companies is the issuing surety: Liberty Mutual Insurance Company; Liberty Mutual Fire Insurance Company; LM Insurance Corporation; The First Liberty Insurance Corporation; Liberty Insurance Corporation; Employers Insurance Company of Wausau (formerly "EMPLOYERS INSURANCE OF WAUSAU A Mutual Company"); Peerless Insurance Company; and any other company that is a part of or added to the Liberty Mutual Group for which surety business is underwritten by Liberty Bond Services (referred to collectively hereinafter as the "Issuing Sureties").

NOTICE FORMS PART OF BOND

This notice forms part of surety bonds issued by any one or more of the Issuing Sureties.

DISCLOSURE OF PREMIUM

The premium attributable to any bond coverage for "acts of terrorism" as defined in Section 102(1) of the Act is Zero Dollars (\$0.00).

**DISCLOSURE OF FEDERAL PARTICIPATION
IN PAYMENT OF TERRORISM LOSSES**

The United States will reimburse the Issuing Sureties for ninety percent (90%) of any covered losses from terrorist acts certified under the Act exceeding the applicable surety deductible.