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ARCO Coal Company
555 17th Street
Denver CO 80202-3917
Telephone 303 293 4010

R. D. Pick
Vice President
EH&S, Engineering
and Technology

007/005 #2
041/002
007/018
007/034
007/039

RECEIVED
DIV. OF OIL, GAS & MINING

December 20, 1996

CC: Pam
Mary Ann
Joe
Price

VIA FACSIMILE

Daron Haddock, Permit Supervisor
Division of Oil, Gas, and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

Re: Notice of Closing

Dear Daron:

The purpose this letter is to request that you effect the transfer of the following: (1) Permit ACT/007/005, Skyline Mine; (2) Permit ACT/041/002, SUFCo Mine; (3) Permit ACT/007/018, Soldier Canyon Mine; (4) Permit ACT/007/034, Banning Loadout; and (5) the permit application for the Dugout Mine (permit pending). As you know, Canyon Fuel Company, LLC has submitted transfer applications to the Utah Division of Oil Gas and Mining ("DOGM") for all of these coal mining operations in anticipation of closing the merger and purchase transaction between The Coastal Corporation, Coastal Coal Company, Atlantic Richfield Company, and Itochu Corporation described more fully in the transfer applications themselves. We also submitted riders making Canyon Fuel Company, LLC the principal on the reclamation bonds presently held by DOGM for the above-referenced permits. We requested that DOGM hold the Reclamation Agreements and the riders, leaving the current agreements and bonds in place without amendment, until DOGM received official notice of the closing.

In correspondence dated, December 19, 1996, DOGM issued written approval of the transfers contingent upon closing of the merger and purchase transaction. Please be advised that the anticipated closing has occurred: (1) Soldier Creek Coal Company has merged into Sage Point Coal Company; (2) Sage Point Coal Company, Southern Utah Fuel Company, Skyline Coal Company, and Utah Fuel Company have all merged into Coastal States Energy Company ("CSEC"); (3) CSEC has merged into

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Canyon Fuel Company, LLC; and (4) ARCO Uinta Coal Company and Itochu Coal International, Inc. have purchased Canyon Fuel Company.

Canyon Fuel Company is now successor to all of the interests of these other entities, including their Utah coal mining interests. Consequently, the final condition for transfer of the permits has been satisfied. Please place into effect Canyon Fuel Company's Reclamation Agreements for the above referenced mining operations, including the riders substituting Canyon Fuel Company, LLC as the principal on the reclamation bonds.

Thank you for your assistance throughout this process. If you have any questions or comments regarding the foregoing, please contact our legal counsel in Salt Lake City, Utah, John Burke or Clay Parr at 532-7840.

Very truly yours,

Richard D. Pick

cc: David Arnolds
Kirk Mueller
Clayton J. Parr (w/ attachment)
John M. Burke

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