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April 1, 1996

Mr. Lowell P. Braxton
State of Utah
Department of Natural Resources
Division of Oil, Gas & Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

Original ACT/007/004 #2
Copy ACT/007/006 #2
PRO/007/038 #2

RE: Cyprus Amax Minerals Company Restructuring

Dear Mr. Braxton:

Buckridge Environmental Engineering, Inc. has been retained by Cyprus Amax Minerals Company to coordinate contacts with regulatory agencies regarding the proposed restructuring of certain segments of its coal mining business. As a way of introducing Cyprus Amax Minerals Company's proposed corporate restructuring of its coal mining businesses, I have prepared this letter to clarify the process. Hopefully we can arrive at an efficient and expedient method to allow the restructuring to occur and accomplish the assignment of the mining permits without creating an undue burden on your staff while still complying with the intent of the law and regulations regarding changes in ownership and control relationships. It is Cyprus Amax's position that the proposed restructuring does not constitute a change in ownership and control under the surface mining regulations necessitating a formal permit transfer. Information substantiating this contention is presented in this letter below.

Detailed explanations of the various steps involved in the restructuring process are presented below and in the attached figures. However, as an introduction to the overall result of the proposed restructuring, the following briefly summarizes the process. The proposed restructuring involves a series of asset transfers (including permits, equipment and company stock) between various subsidiaries of Cyprus Amax. Although during the various steps of the process, different corporate entities will hold the permits, ultimate ownership and control of the mining operations will remain within Cyprus Amax Minerals Company. In addition, the various subsidiaries involved will have common officers and directors, thus perpetuating the same control relationships as presently exist. Also, control and supervision of the day-to-day operations will remain with the existing mine location personnel, excepting for normal personnel changes which occur in a dynamic organization. Furthermore, upon completion of the restructuring process, a corporation named Amax Coal Company (although a different corporate entity from the present Amax Coal Company) will ultimately be the permittee under the mining permits again. The

restructuring process involving the Utah and Midwest coal mining operations could be completed within only a few months with the objective of completing the process by June 30, 1996. Therefore, to the general public and the majority of the outside world, the restructuring would be an invisible process which would not impact or effect their rights or interests. For all of the above stated reasons, as well as others, it is believed that the proposed restructuring does not constitute a change in ownership and control under the surface mining regulations necessitating a formal permit transfer. The following discussion explains the actions which will occur at each of the various steps in the restructuring process:

The organizational structure pertaining to the Utah and Midwest coal operations prior to initiating the restructuring process is shown in Figure 1. Within this organizational structure, the sole shareholder of a subsidiary company is the immediate parent company (i.e. Amax Energy is the sole owner of Cyprus Amax Coal Company, CACC is the sole owner of ACC, etc.).

Step 1
Establish a new subsidiary of Amax Coal Company (ACC), Amax Coal Holding Company (ACHC). The officers and directors of ACC and ACHC are identical. In addition, establish a new subsidiary of Cyprus Amax Coal Company (CACC), Cyprus Amax Coal Holding Company (CACHC). The officers and directors of CACC and CACHC are identical. The parent companies, i.e. ACC and CACC, are the sole shareholders of the new subsidiaries.

Step 2
Certain assets of Amax Coal Company, including all assets pertaining to the Midwest coal operations, are contributed to Amax Coal Holding Company. At this point, ACHC would hold the mining permits for the Midwest mining operations.

Step 3
Amax Coal Company is merged into Cyprus Amax Coal Company with CACC being the surviving entity. At this point, ACC is dissolved and CACC would be the sole shareholder of ACHC.

Step 4
CACC contributes all the shares of Amax Coal Holding Company to Cyprus Amax Coal Holding Company. At this point, CACHC is the sole shareholder of ACHC which still holds the mining permits.

Step 5
Cyprus Amax Coal Company is merged into Amax Energy, Inc. with Amax Energy being the surviving entity. At this point, CACC is dissolved and Amax Energy is the sole

shareholder of CACHC.

Step 6
The name of Amax Coal Holding Company is changed to Amax Coal Company. At this point, Amax Coal Company, a new entity, is the holder of the permits.

Step 7
The name of Cyprus Amax Coal Holding Company is changed to Cyprus Amax Coal Company. At this point Cyprus Amax Coal Company is the sole shareholder of Amax Coal Company. This organizational structure is the same as the structure which existed prior to beginning the restructuring process.

As you can see from the above explanation, there are several transactions between the parent companies and their subsidiaries which involve the movement of assets, including permits and stock, from one company to another. However, as stated above, the ultimate ownership and control of the operations remains within Cyprus Amax Minerals Company and, as a practical matter, control of the operations has not changed. This fact coupled with the fact that the final organizational structure will be the same as the original structure with the same officers and directors further substantiates the claim that control of the operations has not changed. An interpretation of the regulations that would classify each of the above transactions as a change in ownership and control would result in a protracted transfer process and an unnecessary administrative burden on your agency's resources.

After you and your staff have had a chance to review this letter and develop a strategy for accomplishing any necessary permit assignments due to the restructuring, please let me know so I can proceed with any necessary filings. In the meantime, should you have any questions concerning this matter, please contact me at the letterhead address or by telephone at (812) 858-9970.

Sincerely,
Buckridge Environmental Engineering, Inc.

James W. Buck

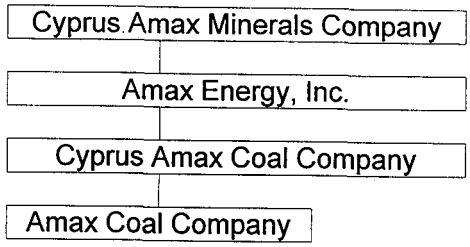
James W. Buck, P.E.
President

cc: B. Grimes - Cyprus Plateau Mining
M. Kegley - Cyprus Amax Minerals
S. Fetherhuff - Cyprus Amax Minerals

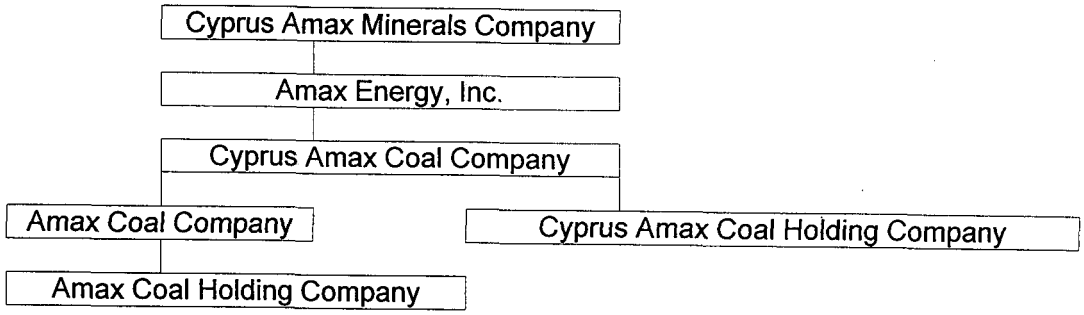
Cyprus Amax Minerals Company
Corporate Restructuring
Midwest Coal Operations

Figure 1

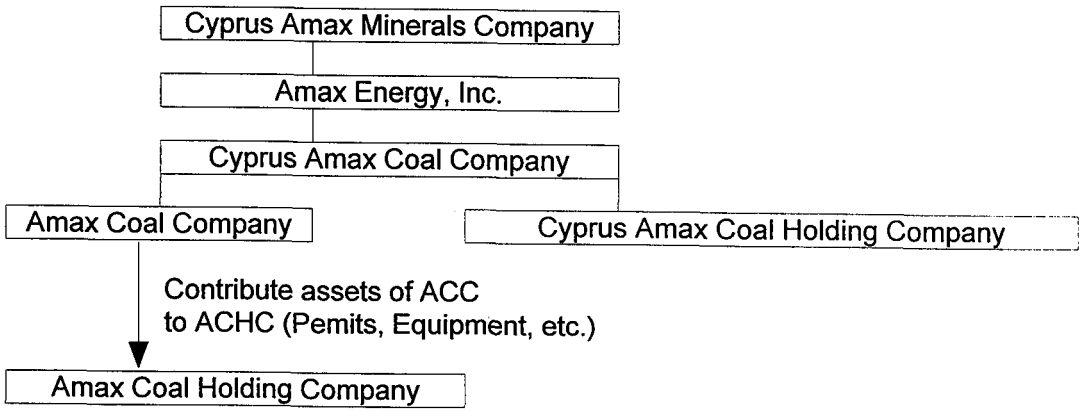
Original Organizational Structure



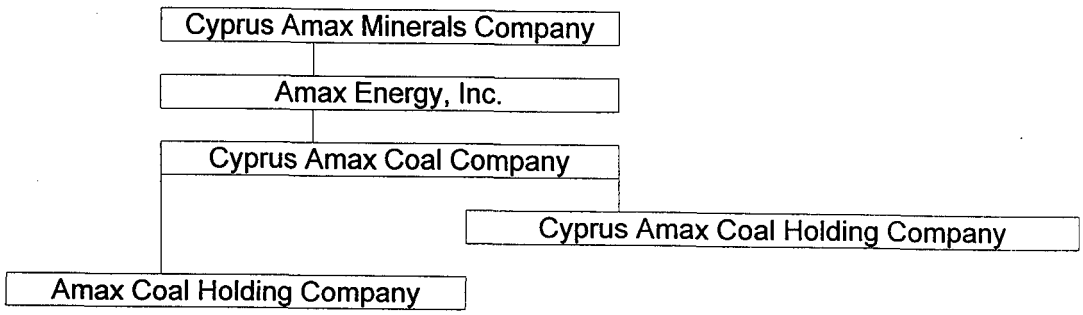
STEP 1 - Establish new subsidiaries of AMAX Coal Company & Cyprus Amax Coal Company



STEP 2 - Amax Coal Company contributes assets to Amax Coal Holding Company



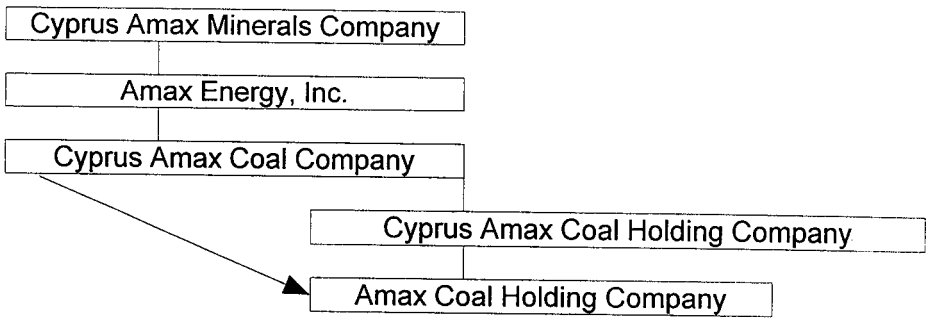
STEP 3 - Amax Coal Company is merged into Cyprus Amax Coal Company



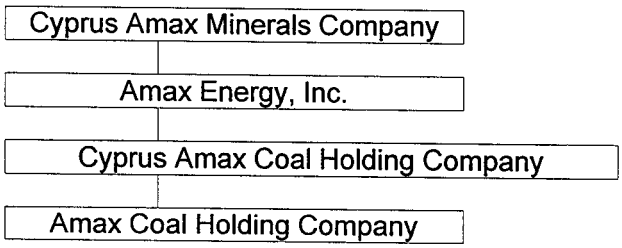
Cyprus Amax Minerals Company
Corporate Restructuring
Midwest Coal Operations

Figure 1 (Cont.)

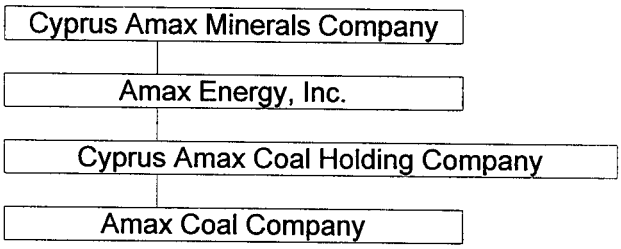
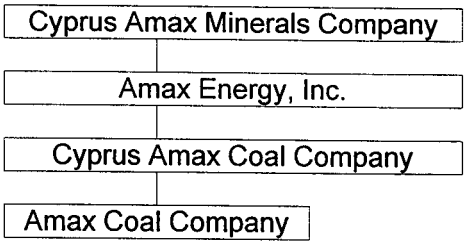
STEP 4 - Cyprus Amax Coal Company contributes all shares of Amax Coal Holding Company



STEP 5 - Merge Cyprus Amax Coal Company into Amax Energy, Inc.



STEP 6 - Change name of Amax Coal Holding Company to Amax Coal Company



STEP 7 - Change name of Cyprus Amax Coal Holding Company to Cyprus Amax Coal Company