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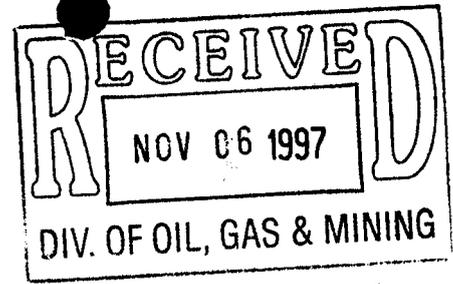


State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

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Governor
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Director

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*CC Mike S.
10/28
JTB
11-12-97*

November 4, 1997

Ms. Mary Ann Wright
Associate Director of Mining
Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114

RE: Dugout Canyon Mine #2
PRO/007/039
Determination of Completeness for New Permit

Copy Aaron

Dear Ms. ~~Wright~~: *Mary Ann*

The School and Institutional Trust Lands Administration (the "Trust Lands Administration") has reviewed the Dugout Canyon Mine permit application prepared by Canyon Fuel Company. Please consider the following comments in your Division's determination of completeness for the permit.

It appears that the permit application submitted by Canyon Fuel Company contemplates mining only the Rock Canyon Seam. You will recall that the Resource Recovery and Protection Plan ("R2P2") previously submitted by Soldier Canyon Coal Company for this mine indicated that recoverable coal is located within both the Rock Canyon Seam and the Gilson Seam. The R2P2 also indicated that the interburden ranges from 40 feet to 100 feet, which should allow for mining both seams utilizing current technology.

If there is a question regarding the mineability of coal in the Gilson Seam, the Trust Lands Administration believes the permit application should, at a minimum, include a detailed plan for evaluating the resource, protecting the future recoverability of coal resources in the Gilson Seam and if possible providing access to the Gilson Seam for future mining. If there is definitely recoverable coal in the Gilson Seam, the permit should contemplate development of the Gilson Seam concurrent with mining of the Rock Canyon Seam. We believe this is consistent with the terms of our coal lease with Canyon Fuel Company (ML 42648) and the requirements of the Division of Oil, Gas and Mining R614-301-522 which requires the applicant to maximize the use and conservation of all coal resources while utilizing best technology currently available.

Mary Ann Wright
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Thank you for allowing the Trust Lands Administration to comment on the permit application. If necessary, I will be happy to meet with representatives from Canyon Fuel Company and the Division of Oil, Gas and Mining to discuss these issues further.

Best Regards,

School and Institutional Trust Lands Administration

A handwritten signature in black ink, appearing to read "J. Cooper", with a long horizontal line extending to the right.

James D. Cooper
Assistant Director