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State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor
David T. Terry
Director

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Salt Lake City, Utah 84102-2818
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October 28, 1997

Ken Payne, Project Manager
Dugout Canyon Mine
Canyon Fuel Co.
P.O. Box 1029
Wellington, UT 84542

RE: ML 42648--Coal

Dear Mr. Payne,

*PRO 10077039 #2
Copy Daron*

I am in receipt of your letter dated October 24, 1997, giving notice of intent to construct an access road, sediment pond, and leach field upon the surface of trust lands in Section 23, T13S, R12E, SLB&M, under the above numbered coal lease. The coal lease provides that Lessee may have reasonable use of the surface in constructing facilities necessary to mine the coal.

The Trust Lands Administration concurs with the proposed uses of the surface so long as coal lease ML 42648 remains in good standing. Also, this approval is conditioned upon the understanding that construction of said surface facilities will not interfere with the recovery of any potentially recoverable coal resources within the lands under ML 42648.

The Trust Lands Administration further concurs with the post-mining reclamation and land use proposed for the effected lands. The Trust Lands Administration should be notified in the future when the reclamation work is performed at the conclusion of mining.

Please contact me if I may be of any further assistance in the permitting process for the Dugout Canyon Mine.

Sincerely,

John T. Blake
Mineral Resources Specialist

cc: Daron Haddock