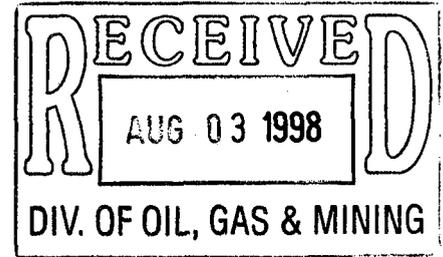




Canyon Fuel Company, LLC
 Skyline Mines
 P.O. Box 719
 Helper, Utah 84526
 435/448-6463 Fax: 435/448-2632



July 31, 1998

Coal Regulatory Program
 Att.: Mr. Robert Davidson
 Reclamation Specialist
 Utah Division of Oil, Gas, and Mining
 1594 West North Temple, Suite 1210
 P.O. Box 145801
 Salt Lake City, Utah 84114-5801

Copy Bob

RE: Topsoil Storage, Dugout Canyon Mine, Canyon Fuel Company, LLC, Permit No. ACT/007/039, Carbon County, Utah.

Dear Mr. Davidson: # 2

As you are aware, topsoil removal from the Dugout Canyon Mine site is in progress. As you may also be aware, the Dugout Canyon Mine topsoil pile at the Soldier Canyon Mine is currently designed to contain approximately 17,000 CY. It is anticipated at this time that either Phase I soil volumes may be greater than originally thought and/or the approval of the expansion of the storage area may not be complete by the time Phase II construction is started. The volume of the current stockpile could be increased by filling the northwest end of the pile to at least ten feet instead of tapering to a few feet as currently designed. Additionally, as we discussed a week or so ago, the topsoil stockpile depth could be temporarily increased to more than 10 feet then reduced at the time the expansion is approved.

I should also inform you that three test pits were excavated, logged, and sampled in the expanded storage area on July 30, 1998. As soon as the results of the soil analyses are available, the hydrology for the expansion is complete, and the vegetation studies are done the application for expansion of the topsoil storage area will be submitted. I suspect that this will occur the second week of August. Just thought I'd let you know!

If you have any questions, please give me a call at (435) 448-2669.

Sincerely:

Chris D. Hansen

Chris D. Hansen
 Environmental Manger
 Canyon Fuel Company, LLC