



March 3, 2009

**KATHY L. BRITTIN**  
Risk Manager

**Via UPS Next Day**

Ms. Angela Nance  
Utah Department of Natural Resources  
Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1210  
Salt Lake City, UT 84114-5801

Re: Canyon Fuel Company  
Permit # ACT/007/039  
Replacement Bond

Dear Ms. Nance:

Enclosed is a fully executed bond issued by Argonaut Insurance Company, bond #SUR0000326 which is to replace the existing bond issued by St. Paul Fire and Marine Insurance Company, bond #400SA1917 for the above referenced permit.

I would appreciate any assistance you could give me in promptly releasing the St. Paul bond and providing me with a copy of the release. This will enable us to be released from any further premium obligations associated with the existing bond.

I trust you will find the enclosure to be in order. If you have any questions, please do not hesitate to give me a call at (314) 994-2800.

Sincerely,

  
Kathy Brittin

Enclosure

cc: Vicky Miller, CFC - Sufco

**RECEIVED**

**MAR 04 2009**

**DIV. OF OIL, GAS & MINING**

**EXHIBIT "A"**

**Bonded Area  
Legal Description**

(Federal Coal)

**EXHIBIT "A"**

Pursuant to R645-301- 820.110, the surety bond covers an identified increment of land within the permit area upon which the operator will initiate and conduct coal mining and reclamation operations during the initial term of the permit. This area is identified as:

Map(s) showing the BONDED AREA within the approved PERMIT AREA : Plate 1-4

Legal description of BONDED AREA:

**LEGAL DESCRIPTION OF BONDED AREA:**

**Waste Rock Storage Facility**

T. 14 S., R. 12 E., SLBM, Utah (Approximately 26.8 acres)

Section 18: Portions of NW1/4NE1/4NE1/4  
Portions of NE1/4NE1/4NE1/4  
Portions of SW1/4NE1/4NE1/4  
Portions of SE1/4NE1/4NE1/4  
Portions of NW1/4SE1/4NE1/4

**Leachfield and Pipeline**

T. 13 S., R. 12 E., SLBM, Utah (Approximately 1.8 acres)

Section 22: Portion of SE1/4SE1/4NE1/4SE1/4  
Portion of NE1/4SE1/4NE1/4SE1/4  
Portion of N1/2NE1/4SE1/4SE1/4;  
Portion of SW1/4NE1/4SE1/4SE1/4;  
Portion of S1/2NW1/4SE1/4SE1/4;  
Portion of SE1/4NE1/4SW1/4SE1/4;  
Portion of N1/2SE1/4SW1/4SE1/4;  
Portion of NE1/4SW1/4SW1/4SE1/4;  
Portion of S1/2SW1/4SW1/4SE1/4

Section 23: Portion of SW 1/4NW1/4NW1/4SW1/4;  
Portion of SE1/4NW1/4NW1/4SW1/4;  
Portion of NW1/4SW1/4NW1/4SW1/4;

Section 27: Portion of W1/2NW1/4NW1/4NE1/4  
Portion of SE1/4NE1/4NE1/4NW1/4  
Portion of E1/2SE1/4NE1/4NW1/4  
Portion of SW1/4SE1/4NE1/4NW1/4

Main Facilities Area T. 13 S., R. 12 E., SLBM, Utah (Approximately 20.80 acres)

Section 23: A Portion of the following:  
NE1/4NE1/4NW1/4SW1/4; NE1/4NW1/4NW1/4SW1/4;  
NW1/4NE1/4NW1/4SW1/4; SW1/4SE1/4SW1/4NW1/4;

SE1/4SE1/4SW1/4NW1/4;NW1/4SE1/4SW1/4NW1/4;  
NE1/4SE1/4SW1/4NW1/4;SW1/4SW1/4SE1/4NW1/4;  
SE1/4SW1/4SE1/4NW1/4;NW1/4SW1/4SE1/4NW1/4;  
NE1/4SW1/4SE1/4NW1/4;SW1/4NW1/4SE1/4NW1/4;  
SE1/4NW1/4SE1/4NW1/4;NE1/4NW1/4SE1/4NW1/4;  
SW1/4NE1/4SE1/4NW1/4;NW1/4NE1/4SE1/4NW1/4;  
NE1/4NE1/4SE1/4NW1/4;W1/2SE1/4NE1/4NW1/4;  
SW1/4NE1/4NE1/4NW1/4;NW1/4NE1/4NE1/4NW1/4;  
NE1/4NE1/4NE1/4NW1/4

Section 14: A Portion of the following:  
SE1/4SE1/4SE1/4SW1/4;  
NE1/4SE1/4SE1/4SW1/4;  
NW1/4SW1/4SW1/4SE1/4

G-2 Thru G-19, G-22, G-31 Degas Wells and AMV Road, (Approximately 48.15 acres)

G-2	Portion of N1/2SW1/4NE1/4 Section 24	Township 13 South, Range 12 East, SLBM
G-3	Portion of N1/2SW1/4NW1/4 Section 19	Township 13 South, Range 13 East, SLBM
G-4	Portion of N1/2NE1/4NW1/4 Section 24	Township 13 South, Range 12 East, SLBM
G-5	Portion of N1/2NW1/4NE1/4 Section 24	Township 13 South, Range 12 East, SLBM
G-6	Portion of S1/2SW1/4NW1/4 Section 18	Township 13 South, Range 13 East, SLBM
G-7	Portion of SW1/4NE1/4SE1/4 Section 24	Township 13 South, Range 12 East, SLBM
G-9	Portion of NW1/4NW1/4SW1/4 Section 21	Township 13 South, Range 13 East, SLBM
G-10	Portion of NE1/4NE1/4SE1/4 Section 20	Township 13 South, Range 13 East, SLBM
G-11	Portion of NE1/4SE1/4SW1/4 Section 20	Township 13 South, Range 13 East, SLBM
G-12	Portion of SE1/4NW1/4SW1/4 Section 20	Township 13 South, Range 13 East, SLBM
G-13	Portion of NW1/4NE1/4SE1/4 Section 19	Township 13 South, Range 13 East, SLBM
G-14A	Portion of SW1/4SW1/4SE1/4 Section 17	Township 13 South, Range 13 East, SLBM
G-15	Portion of NW1/4SE1/4NE1/4 Section 19	Township 13 South, Range 13 East, SLBM
G-16	Portion of SW1/4SE1/4SE1/4 Section 18	Township 13 South, Range 13 East, SLBM
G-17	Portion of SE1/4NW1/4SE1/4 Section 18	Township 13 South, Range 13 East, SLBM
G-18	Portion of NE1/4SE1/4NW1/4 Section 20	Township 13 South, Range 13 East, SLBM
G-19	Portion of SW1/4NW1/4SE1/4 Section 20	Township 13 South, Range 13 East, SLBM
G-22	Portion of NE1/4SE1/4SE1/4 Section 18	Township 13 South, Range 13 East, SLBM
G-22	Access Road Portions of SE1/4 Section 18	Township 13 South, Range 13 East, SLBM
G-31	Portion of NW1/4SW1/4NW1/4 Section 20	Township 13 South, Range 13 East, SLBM
AMV	Portion of S1/2NW1/4 Section 20	Township 13 South, Range 13 East, SLBM
Road	Portion of SW1/4SW1/4NE1/4 Section 20	Township 13 South, Range 13 East, SLBM

Pace Canyon Fan Facility Township 13 South, Range 13 East, SLBM (Approximately 2.7 acres)  
Section 30: Portion of E1/2NW1/4NW1/4

Total Approximately 101.1 Acres

Exhibit "A"  
Legal Description  
Federal

Bond Number

SUR0000326

The above described area shall be modified as necessary to correspond to an increase in the area disturbed as a result of an expansion of coal mining and reclamation operations. The described area may also be decreased as a result of partial reclamation.

**IN WITNESS WHEREOF** the **SURETY** has hereunto set its signature and seal this

27th day of February, 2009.

Argonaut Insurance Company

**SURETY**

By: TARA W. MEALER

Tara W. Mealer  
Attorney-in-Fact

Title:

**EXHIBIT "B"**

**Bonding Agreement  
Surety Bond**

(Federal Coal)

Replaces St. Paul Fire and Marine Insurance Company Bond No. 400SA1917

Surety Bond Number SUR0000326

**EXHIBIT "B"**  
**SURETY BOND**  
**(FEDERAL COAL)**  
**--ooOOoo--**

This **SURETY BOND** entered into and by and between the undersigned **PERMITTEE/PRINCIPAL CANYON FUEL COMPANY, LLC**, and **SURETY Argonaut Insurance Company**, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors and assigns unto the State of Utah, Division of Oil, Gas and Mining (hereafter referred to as the "**DIVISION**"), and the U.S. Department of the Interior, Office of Surface Mining Reclamation and Enforcement (hereafter referred to as "**OSM**") in the penal sum of Three Million Five Hundred Fifty Thousand and 00/100 (\$3,550,000.00) for the timely performance of reclamation responsibilities of the Permittee in the Bonded Area described in Exhibit "A" of that certain **RECLAMATION AGREEMENT**, dated the 20th day of February, 1996 by and between the **DIVISION** and the **PERMITTEE/PRINCIPAL**.

This **SURETY BOND** shall remain in effect until all of the **PERMITTEE'S/PRINCIPAL'S** reclamation obligations have been met and released by the **DIVISION** with the concurrence of **OSM** and is conditioned upon faithful performance of all of the requirements of the Utah Coal Mining Reclamation Act, Utah Code Ad. §40-12-2 et. seq. (the **ACT**), the Surface Mine Control and Reclamation Act ("**SMCRA**"), and all lawful regulation adopted under the authority of those statutes, and the approved Permit (which is based upon the approved Permit Application Package).

The **SURETY** will not cancel this bond at any time for any reason, including non-payment of premium or bankruptcy of the **PERMITTEE/PRINCIPAL** during the period of liability.

The **SURETY** and their successors and assigns, agree to guarantee the obligation and to indemnify, defend, and hold harmless the **DIVISION** and **OSM** from any and all expenses which the **DIVISION** may sustain as a result of the **PERMITTEE'S/PRINCIPAL'S** failure to comply with the condition(s) of the reclamation obligation.

The **SURETY** will give prompt notice to the **PERMITTEE/PRINCIPAL**, the **DIVISION** and **OSM** of any notice received or action alleging the insolvency or bankruptcy of the **SURETY**, or alleging any violations or regulatory requirements which could result in suspension or revocation of the **SURETY'S** license.

Upon incapacity of the **SURETY** by reason of bankruptcy, or suspension or revocation of license, the **PERMITTEE/PRINCIPAL** shall be deemed to be without Bond coverage in violation of state and federal law and subject to enforcement in accordance with **SMCRA**, the **ACT**, and the applicable regulations.

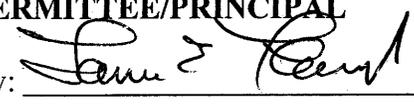
Surety Bond Number SUR0000326  
Mine Name/Number Dugout Canyon Mine / ACT/007/039

The terms for release of this **BOND** are as written and agreed to by the **DIVISION** and the **PERMITTEE/PRINCIPAL** in the **RECLAMATION AGREEMENT**, incorporated by reference herein, to which this **SURETY AGREEMENT** has been attached as Exhibit "B".

In the event the Utah Cooperative Agreement is terminated, this **SURETY BOND** shall be payable only to the OSM to the extent that lands covered by the Federal Lands Program are involved and otherwise to the **DIVISION**.

**IN WITNESS WHEREOF**, the **PERMITTEE/PRINCIPAL** has hereunto set its signature and seal this 3rd day of March, 2009.

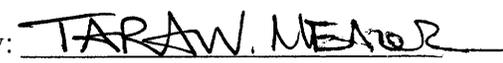
Canyon Fuel Company, LLC  
**PERMITTEE/PRINCIPAL**

By: 

Title: Vice President & Treasurer

**IN WITNESS WHEREOF**, the **SURETY** has hereunto set its signature and seal this 27<sup>th</sup> day of February, 2009.

Argonaut Insurance Company  
**SURETY**

By: 

Title: Tara W. Mealer, Attorney-in-Fact

**SURETY BONDING AGREEMENT ACCEPTED BY THE STATE OF UTAH:**

\_\_\_\_\_  
Director  
Division of Oil, Gas and Mining

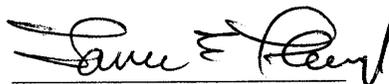
**NOTE:** An **Affidavit of Qualification** must be completed and attached to this form for each authorized agent/or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with the Agreement. If the **PERMITTEE** is a corporation, the Agreement shall be executed by its duly authorized officer.

**AFFIDAVITS  
OF  
QUALIFICATION**

**AFFIDAVIT OF QUALIFICATION  
PERMITTEE**

--ooOOoo--

I, James E. Florczak, being first duly sworn under oath, deposes and says that he/she is the (officer or agent) Vice President & Treasurer of Canyon Fuel Company, LLC; and that he/she is duly authorized to execute and deliver the foregoing obligations; and that said PERMITTEE is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.



(Signed) Vice President & Treasurer  
Name - Position

Subscribed and sworn to before me this 3rd day of March, 2009.

  
Notary Public - Kristin L. Walker

My Commission Expires: September 23, 2012.

\_\_\_\_\_, \_\_\_\_\_  
Attest:

STATE OF Missouri )

) ss:

COUNTY OF St. Louis )



**Argonaut Insurance Company  
225 W. Washington, 6th Floor  
Chicago, IL 60606**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS: That the Argonaut Insurance Company, a Corporation duly organized and existing under the laws of the State of Illinois and having its principal office in the County of Cook, Illinois does hereby nominate, constitute and appoint:

Joseph R. Poplawski, Elizabeth A. Hartzberg, Tara W. Mealer, Mary Y. Volmar, Deborah S. Hudgins

its true and lawful agent and attorney-in-fact, to make, execute, seal and deliver for and on its behalf as surety, and as its act and deed any and all bonds, contracts, agreements of indemnity and other undertakings in suretyship provided, however, that the penal sum of any one such instrument executed hereunder shall not exceed the sum of:

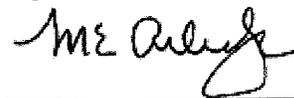
\$15,000,000.00

This Power of Attorney is granted and is signed and sealed under and by the authority of the following Resolution adopted by the Board of Directors of Argonaut Insurance Company:

"RESOLVED, That the President, Senior Vice President, Vice President, Assistant Vice President, Secretary, Treasurer and each of them hereby is authorized to execute powers of attorney, and such authority can be executed by use of facsimile signature, which may be attested or acknowledged by any officer or attorney, of the Company, qualifying the attorney or attorneys named in the given power of attorney, to execute in behalf of, and acknowledge as the act and deed of the Argonaut Insurance Company, all bond undertakings and contracts of suretyship, and to affix the corporate seal thereto."

IN WITNESS WHEREOF, Argonaut Insurance Company has caused its official seal to be hereunto affixed and these presents to be signed by its duly authorized officer on the 15th day of September, 2008.

Argonaut Insurance Company



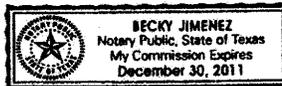
By: \_\_\_\_\_

Michael E. Arledge, President

STATE OF TEXAS  
COUNTY OF BEXAR SS:

On this 15th day of September, 2008 A.D., before me, a Notary Public of the State of Texas, in and for the County of Bexar, duly commissioned and qualified, came THE ABOVE OFFICER OF THE COMPANY, to me personally known to be the individual and officer described in, and who executed the preceding instrument, and he acknowledged the execution of same, and being by me duly sworn, deposed and said that he is the officer of the said Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of said Company, and the said Corporate Seal and his signature as officer were duly affixed and subscribed to the said instrument by the authority and direction of the said corporation, and that Resolution adopted by the Board of Directors of said Company, referred to in the preceding instrument is now in force.

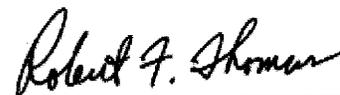
IN TESTIMONY WHEREOF, I have hereunto set my hand, and affixed my Official Seal at the County of Bexar, the day and year first above written.



(Notary Public)

I, the undersigned Officer of the Argonaut Insurance Company, an Illinois Corporation, do hereby certify that the original POWER OF ATTORNEY of which the foregoing is a full, true and correct copy is still in full force and effect and has not been revoked.

IN WITNESS WHEREOF, I have hereunto set my hand, and affixed the Seal of said Company, on the 27th day of February, 2009.



Robert F. Thomas, Vice President