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Incoming
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From: John Blake
To: Jim Smith
CC: Doug Downing; Tom Faddies
Date: 5/5/2009 11:17 AM
Subject: Re: Dugout Canyon Exploration

Jim Smith, DOGM:

Jim, thank you for contacting me. The Lessee did not send me a copy of the NOI. Coal lease ML 42648 is in good standing in the name of Canyon Fuel Company, which is a subsidiary of Arch Coal Company. The exploration drilling of DUG-9 as proposed in the minor coal exploration notice submitted by Ark Land Company is authorized under the lease. My comments regarding the NOI are as follows.

1. A typographical error is noted in the legal description given in the last paragraph on page 4: Should be Section 14, T13S, R12E.
2. The referenced cultural resource report consists only of a cover page for Appendix D. Where is the report?
3. SITLA does not currently hold any type of reclamation bond for ML 42648. A plugging bond should be requested for DUG-09, unless such activity is already covered by the reclamation bond held by DOGM for the Dugout Canyon mine.
4. The terms and conditions of ML 42648 provide that SITLA may examine all exploration drill logs, geological reports and assays generated under the lease. SITLA requests a copy of such items as may be generated in the drilling of DUG-09, and shall hold the same in confidential protected status.
5. SITLA asks to be notified when the proposed DUG-09 drill hole is completed and reclaimed.

Subject to the above comments, SITLA is supportive of this action and can approve the DUG-09 exploration hole proposed for the trust lands coal estate under ML 42648.

Thank you.
John Blake
SITLA

>>> Jim Smith 5/5/2009 8:50 AM >>>
John,

Please see the attached NOI. DOGM needs concurrence from SITLA in order to approve this exploration.

JIM

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