

0009

LAW OFFICES OF
VAN COTT, BAGLEY, CORNWALL & MCCARTHY
 A PROFESSIONAL CORPORATION
 SUITE 1600
 50 SOUTH MAIN STREET
 SALT LAKE CITY, UTAH 84144
 TELEPHONE (801) 532-3333
 FACSIMILE (801) 534-0058
 TELEX 453149

DENISE A. DRAGOO

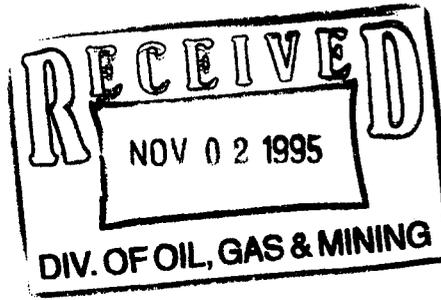
Direct Dial
(801) 237-0465

ADDRESS ALL CORRESPONDENCE TO
 POST OFFICE BOX 45340
 84145-0450

HAND DELIVERED

November 2, 1995

Ms. Pamela Grubaugh-Littig
 Utah Division of Oil, Gas & Mining
 3 Triad Center, Suite 350
 355 West North Temple
 Salt Lake City, Utah 84180-1203



RE: Hidden Valley Coal Company, ACT/015/007 -- Application for Approval of Transfer, Assignment or Sale of Permit

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Copy Pam (all)

Dear Ms. Littig:

We have been requested by Hidden Valley Coal Company ("HVCC") to respond to your request for right of entry information. Consistent with R645-301-114.100, this letter will serve to describe the document upon which Consolidation Coal Company ("CCC") bases their legal right to enter the Hidden Valley Mine.

By Agreement of Sale dated April 28, 1995, CCC agreed to purchase and HVCC agreed to sell certain real property including the Hidden Valley Mine permit area. This property includes (1) a parcel of land containing 960.52 acres described at Exhibit A to the Agreement, a copy of which is enclosed, and (2) its rights in a certain coal lease dated August 20, 1976, described in Exhibit B, a copy of which is enclosed. At closing, seller has agreed to convey good and marketable title to the 960.52 acre parcel to CCC by special warranty deed and to assign to CCC the August 20, 1976 coal lease.

The Agreement of Sale is not currently the subject of pending litigation, nor do the parties anticipate litigation in this matter.

The Division's approval of the Application for Transfer of Permit No. ACT/015/007 is a condition to closing. The Division's regulations contemplate approval of the transfer application subject to closing of the Agreement of Sale. R645-303-350 provides that the Division will first notify the permittee of its findings that a successor in interest has met the criteria for approval. The parties may then proceed with closing and, consistent with

Ms. Pamela Grubaugh-Littig
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Page Two

R645-303-352, the successor is to "immediately provide notice to the Division of the consummation of the transfer, assignment or sale of permit rights."

I would appreciate receiving a copy of the Division's findings document approving the transfer so that we can move forward with this transaction. Please let me know if you need anything further regarding this matter.

Very truly yours,



Denise A. Dragoo

DAD:jmc:88517

Enclosures

cc: Lee Edmonson
Beverly Coleman, Esq.
Ed Settle
Tim Kirschbaum

WHEN RECORDED, TO:

CONSOLIDATION COAL COMPANY
1800 Washington Road
Pittsburgh, PA 15241

Space Above for Recorder's Use

Special Warranty Deed

(Corporate Form)

HIDDEN VALLEY COAL COMPANY (formerly Soldier Creek Coal Company), a corporation organized and existing under the laws of the State of Utah, with its principal office at 1801 East University Drive, Phoenix, Arizona, grantor, hereby CONVEYS AND WARRANTS against all claiming by, through or under it to CONSOLIDATION COAL COMPANY, a Delaware corporation

Grantee
for the sum of

TEN AND 00/100 - DOLLARS (\$10.00)
the following described tract of land in Emery
State of Utah:

County,

SEE EXHIBIT "A" attached hereto and incorporated herein.

The officers who sign this deed hereby certify that this deed and the transfer represented thereby was duly authorized under a resolution duly adopted by the board of directors of the grantor at a lawful meeting duly held and attended by a quorum.

In witness whereof, the grantor has caused its corporate name and seal to be hereunto affixed by its duly authorized officers this _____ day of _____, A.D. 19 _____

Attest:

HIDDEN VALLEY COAL COMPANY

Secretary.
(Corporate Seal)

By: _____

STATE OF _____
COUNTY OF _____

} ss.

On the _____ day of _____, A.D., personally appeared before me _____ and _____ who being by me duly sworn, did say, each for himself, that he, the said _____ is the _____, and he, the said _____ is the secretary of _____, and that the within and foregoing instrument was signed in behalf of said corporation by authority of a resolution of its board of directors, and said _____ and _____ each duly acknowledged to me that said corporation executed the same and that the seal affixed is the seal of the said corporation.

Notary Public

My Commission Expires:

Residing at:

EXHIBIT "A"

The West half of Section 17 and all of Section 18 of Township 23 South, Range 6 East, Salt Lake Meridian.

Including all water rights appurtenant to said land.

BUT SUBJECT to the certain reservation and easement contained in and more particularly described in the Warranty Deed with respect to said land from Ivie Creek Coal Company to Ivie Creek Coal Associates dated October 29, 1976, recorded under Entry No. 258784, in Book 89 at page 483, Emery County Records.

AND ALSO SUBJECT to general taxes accruing after December 31, 1993.

Including all water and water rights appurtenant to said land, including but not limited to Application to Appropriate Water No. 94-309 (47409), approved by the Utah State Engineer on March 3, 1978, as amended by change application number a-10876 (95-1703) for the appropriation of 0.25 cfs of water on a daily basis for coal mining operations to be diverted from four wells located in Emery County, Utah, more particularly described as follows:

Section 18, Township 23 South, Range 6 East, SLBM:

1. South 1320 feet West 3960 feet from the Northeast Corner of Section 18, Township 23 South, Range 6 East, SLBM.
2. South 3960 feet West 3960 feet from the Northeast Corner, Section 18, Township 23 South, Range 6 East, SLBM.
3. South 3960 feet West 1320 feet from the Northeast Corner, Section 18, Township 23 South, Range 6 East, SLBM.
4. North 30 feet West 260 feet from the South 1/4 Corner, Section 18, Township 23 South, Range 6 East, SLBM.

The water is approved for use within the Western 1/2 of Section 17 and all of Section 18, Township 23 South, Range 6 East, SLBM on a daily basis for coal mining operations. Grantor makes no representations concerning its beneficial use of the above-stated water and water rights, including but not limited to Application to Appropriate No. 94-309.

Subject to the exceptions set forth in the commitment for title insurance attached hereto as Exhibit "B."

SENT BY:

44-1-95-94 SUN 23:24 EMERY COUNTY ABSTRACT P. 04

EXHIBIT "B"

STEWART TITLE GUARANTY COMPANY

Case No. 4703
Commitment No.

SCHEDULE B - SECTION 2

Exceptions

The policy or policies to be issued will contain exceptions to the following unless the same are disposed of to the satisfaction of the Company:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not by the public records of such agency or by the public record.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or by making inquiry of persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortages in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the public records.
7. The 1994 general taxes are now due, but not yet delinquent. \$317.75 are 1994 taxes.
8. BASEMENT to Emery County, an easement and right-of-way for construction, operation and maintenance of a portion of Collector Road Project CR 514 (1) as recorded in Book 111, page 487-488 as Entry No. 288305.
9. RESERVING to Ivie Creek Coal Company, its successors and assigns, all coal, mineral, oil and gas rights on, in and to said land; and solely for purposes thereof, the right of reasonable access, ingress and egress in and to said land as recorded in Book 89, page 483 as Entry No. 258784.
10. Coal Lease between Ivie Creek Coal Company, Lessor and Ivie Creek Coal Associates, a Utah Limited partnership, Lessee as recorded in Book 90, page 47-49 as Entry No. 259391, and to all terms of said lease.
11. Assignment of Coal Leases from Ivie Creek Coal Associates, a Utah limited partnership to Soldier Creek Coal Company, a Utah Corporation as recorded in Book 96, page 93-94 as Entry No. 274393.
12. ROYALTY CONVEYANCE from Soldier Creek Coal Company, a Utah Corporation to Ivie Creek Coal Association, a Utah Limited partnership as recorded in Book 103, page 188-191 as Entry No. 281066 and to all terms of said conveyance.
13. ROYALTY CONVEYANCE to wind up the affairs of Ivie Creek Coal Associates in connection with its dissolution as a limited partnership and is made subject to all of the terms and provisions of Royalty conveyance as recorded in Book 103, page 192-194 as Entry No. 281067.
O. J. Anderson 4.1745%, Dewalt H. Ankeny, Jr. 4.1745%, Louella C. Cook 4.1745%, Peter O. & Emily R. Crisp 1.8975%, J. Phillip Kistler Trust 2.6566%, John G. Kistler Trust 2.6566%, William L.

This commitment is invalid unless the Insuring Provisions and Schedules A and B are attached. Schedule B-Section 2-Page 1

STEWART TITLE

STEWART TITLE GUARANTY COMPANY

CASE NO. 4703

SCHEDULE B - SECTION 2 (Continued)

Kistler III 2.6566%, W. J. Kolff and Mrs Janke C. Kolff 2.6566%, Maryland Coal & Coke Company 4.1745%, Florence S. McDonugh 2.2770%, Mill Neck Associates 4.1745%, Peter C. & Martha F. Morse 4.5540%, P.E.A.C.O. c/o Peter E. Ashton, Partner 0.3795%, Michael C. Stanley 1.8975%, Alexandra W. Stawbridge 3.0361%, Belmont Towbin 4.1745%, Thomas I. Unterberg 4.1745%, Thomas I. Unterberg 4.1745%, White & Montgomery 4.1745%, Odgen White Jr. 2.2770%, Robert A. Wilson 4.1745%, Mill Neck Associates 7.8270%, Peter L. Shea 11.7415%, Clifford Minerals Corp. 11.7415%.

14. Royalty Conveyance from William L. Kistler *** and J. Philip Kistler assign to Kistler Investment Company as recorded in Book 128, page 4911-492 as Entry No. 298827.

15. ASSIGNMENT OF COAL LEASE by Ivie Creek Coal Company, a Utah corporation, and by First Interstate Bank of Utah, N.A., as Trustee of the Ivie Creek Coal Company Shareholders' Trust as lessor and Peter L. Shea and Clifford Minerals Corporation, a Utah corporation as Lessee as recorded in Book 149, page 234-246 as Entry No. 308819.

16. Quit Claim Deed by Ivie Creek Coal Company to all of the coal, mineral, oil and gas rights, and the right of the reasonable access, ingress and egress to the said land as recorded in Book 150, page 140-141 as Entry No. 309159. B.G Raybould 0.23530, Sigler and Co. 2.94134, Barbara D. Williams 1.61774, A. Winifred Walker, Lovejoy Prosser 2.94134, Helen G. Paul 2.43543, Katherine Paul Littlefield 2.43543, Dale W. Ahern, as Personal Representative of the Dorothy R. Ward Estate 2.42955, Winifred W. Fehr 2.18052, Zions First National Bank, as Personal Representative of the Samuel Walker Estate 1.09026, Smith and Co. 4.85910, Bank of America as Personal Representative of Francis Lewis Noonan Estate 5.31501. Forrest Kelly Eccles 4.48555, William Walker Ecoles 4.49144, Samuel Franklin Eccles 4.49144, Eugene K. Walker 3.77669, Helen Kenndy Rogers 0.27060, Paul D. Augsburg 0.27060, June E. Kimball 0.54120, Roger Walker Daynes 0.81181, Sarah Daft Home 4.08353, Nicholas W. Kuryla 1.08929, Michale A. Kuryla 1.08929, Charles Kuryla 1.08939, Virginia Godnick 5.28266, Robert Von Khrum 2.22366, M. Walker Wallace 11.76539. Olen Walker Wallace 11.76539, Karen Bertagnole 2.22366, First Interstate Bank of Utah, N.A., As Personal Representative of John M. Wallace, Jr. Estate 11.76539.

17. Royalty Conveyance from Louella Cook, a widow to Production Toyalty and the Minimum Royalty to Ivie Creek Coal Associates as recorded in Book 155, page 18 as Entry No. 310969.

18. Bank of California, N.A., AND John C. Jansing, Co-Trustees for Louella Cook to John C. Jansing as recorded in Book 196, page 251-253 as Entry No. 332565.

THIS IS FOR REPORT PURPOSES ONLY, POLICY AMOUNTS AND INSURANCE TO BE DETERMINED.

EXHIBIT B:
COAL LEASE

THIS COAL LEASE made and entered into this 20th day of August, 1976, between IVIE CREEK COAL COMPANY, a Utah corporation, with its principal office at 518 Walker Bank Building, Salt Lake City, Utah ("Lessor"), and PETER L. SHEA and CLIFFORD MINERALS CORPORATION, a Utah corporation, with principal office at 1720 Beneficial Life Tower, Salt Lake City, Utah (collectively "Lessee").

In consideration of the mutual promises herein, it is AGREED:

1. Leased Property. Lessor hereby leases to and Lessee hereby leases from Lessor the coal rights and interests in real property in Emery County, State of Utah, described as:

The West half of Section 17 and all of Section 18 of Township 23 South, Range 6 East, Salt Lake Meridian.

During the life of this lease, Lessee may freely drill, explore, prospect, develop, mine, strip, extract and sell such coal therefrom as it may elect, and use the surface and underground thereof for all lawful purposes, provided that until the advance royalty provided in paragraph 3 hereof has been paid to Lessor, Lessee shall not sell coal from the property.

2. Term. The term of this lease is from date hereof, beginning on the date hereof, to and including the

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31st day of January, 2007. Lessee may surrender this lease at any time on one day's notice given Lessor on or before December 15, 1976. If this lease is not so surrendered, thereafter Lessee may extend the term of this lease for an additional thirty years and/or may surrender this lease at the end of any quarter year during the base or extended term by serving sixty days' written notice upon Lessor of its election to so extend or surrender. Lessee's surrender of this lease shall terminate all obligations of Lessee to pay any earned royalty or advance royalty payments thereafter accruing.

3: Royalty. Lessee shall pay to Lessor earned production royalty of two percent of F.O.B. mine value of merchantable coal removed and shipped from the leased premises. Lessee shall pay Lessor an advance royalty of \$1,490,000, payable \$7,500, receipt of which is acknowledged, \$2,500 on or before November 1, 1976, and \$1,480,000 on or before December 15, 1976. Such advance royalty shall first be a credit against any earned production royalties otherwise due Lessor. Such advance royalty shall not be returned to Lessee if not earned by production royalties during the remaining term or extended term. Said earned production royalty, to the

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extent it exceeds the advance royalty, shall be paid quarterly on or before the last day of the month following each quarterly period. Each quarter, as aforesaid, Lessee shall supply Lessor with a full and complete report of its coal mined and shipped for such quarter and its calculation as to the amount due Lessor for earned production royalties for such quarter, with a deduction from and remaining balance of advance royalty, as appropriate. Upon written request the books and records of Lessee with respect to production and sales of coal shall be made available to Lessor for inspection at all reasonable times.

4. Purchase of Fee. Provided this lease has not previously been surrendered, when Lessee pays the \$1,480,000 advance royalty, Lessee shall pay Lessor an additional \$10,000, against which Lessor shall execute and deliver to Lessee Lessor's warranty deed to the real property described in paragraph 1 and all water rights appurtenant to or water shares owned by Lessor, reserving, however, to Lessor the coal, mineral, oil and gas rights in said property. Such coal rights shall continue to be leased to Lessee under the terms and conditions hereof. Such conveyance shall include reasonable public or private access to the property for these mining operations and shall be subject to no liens or encumbrances except real property taxes accruing in the year of the conveyance (which shall be prorated as of date of the

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conveyance) and this lease. Lessor shall deliver to Lessee an abstract or title insurance policy of \$100,000, at Lessor's option, evidencing marketable title to said property in Lessor on or before September 1, 1976.

5. Operations. Lessee shall carry on its exploratory and mining operations in accordance with good mining practices and shall comply with applicable state and federal laws and regulations pertaining thereto. Upon the termination of this lease, however that may occur, Lessee shall make available to Lessor for its inspection and copying, all mine maps and drilling data. All tools, equipment, pipelines, apparatus, buildings, structures and property of every nature and description, whether or not affixed to the soil placed on the said land by Lessee, shall be deemed to be and shall remain the property of Lessee, and title thereto shall at all times remain and be in Lessee.

All ad valorem taxes assessed against any property brought or stored by Lessee or real property taxes upon the leased lands or attributable to buildings or improvements constructed thereon by it shall be paid by Lessee.

Lessee shall maintain the leased coal interest clear of all liens and encumbrances arising out of any of the acts or operations of Lessee, or in the event Lessee contests any such liens or encumbrances, shall adequately

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secure Lessor from loss therefrom until such contest is finally determined.

6. Liability. Lessee shall (a) hold Lessor harmless on account of any liability resulting from Lessee's activities upon said land; (b) maintain liability insurance in a financially responsible company insuring its operations against liability for injuries or death to persons or loss of or damage to property with minimum coverages for bodily injury of \$1,000,000 aggregate and for property damage of \$100,000; and (c) at all times while it is conducting operations on the said land, secure and maintain for each and every employee in any way concerned with Lessee's operations, the compensation and benefits provided for in any statute, rule or regulation relating to workmen's compensation, occupational disease or disability and employer's liability.

7. Inspection. Lessor shall have the right to inspect the workings on the land at reasonable times, but Lessee shall assume no responsibility for the safety of any representative of Lessor except for injuries which result from the gross negligence or willful misconduct of Lessee.

8. Force Majeure. All obligations of Lessee under this lease shall be suspended while, but only so long as and to the extent that, Lessee is prevented from complying with such obligation, in whole or in part, by strikes,

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lockouts, acts of God, unavoidable accidents, uncontrollable delays by transportation, inability to obtain necessary materials in open market, inadequate facilities for transportation of minerals or for disposition of products, and any state or federal laws, regulations or orders, or other matters beyond the reasonable control of Lessee, whether similar to the matters herein specifically enumerated, or otherwise. Lessee shall not be required against its will to adjust any labor dispute or to question the validity of or to refrain from judicially testing any federal or state law, order, regulation or rule.

9. Default. Failure to pay the payment due on or before December 15, 1976, will automatically terminate this lease. Should any other default in any of the terms or provisions hereof occur, Lessor shall give notice to Lessee in writing as hereinafter provided, designating such asserted default. Lessee shall thereafter have a period of thirty (30) days from the date of receipt of such notice within which to correct or commence action to correct the defaults of which it has received notice. Should Lessee fail to correct said defaults or to commence and diligently pursue action to correct said defaults within said thirty-day period, Lessor may, at its election, upon written notice to Lessee, cancel and terminate this lease or it may pursue any other lawful remedy against Lessee.

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10. Notices. Any notice or communication to be given hereunder shall be sent by certified mail, return receipt requested, and addressed to the respective parties at their addresses above set forth or at such other address as either party may designate by notice given hereafter. Notice shall be effective at the day and hour of deposit in the United States mail. Personal service of notice upon either the president or secretary of either party shall be equivalent to mailing.

11. Assignment and Benefit. This lease shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto, provided, however, if Lessor assigns undivided interests in this lease to more than one person, firm or corporation, Lessee shall not be bound to recognize such assignment until such assignees designate, from time to time in writing, one of such assignees as agent for all to receive notices and royalties on behalf of all.

12. Miscellaneous. This lease is the entire agreement between the parties; there are no others. The laws of Utah shall govern this lease. Execution and delivery of this Lease discharges the obligations of the parties under that certain option letter agreement of May 7, 1976, between the parties.

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IN WITNESS WHEREOF, the parties hereto have caused this Coal Lease to be executed the day and year first above written.

IVIE CREEK COAL COMPANY,
A Utah Corporation

ATTEST:

[Handwritten Signature]
Secretary

BY *[Handwritten Signature]*
Its President

CLIFFORD MINERALS CORPORATION,
A Utah Corporation

ATTEST:

[Handwritten Signature]
Secretary

BY *[Handwritten Signature]*
Its President

[Handwritten Signature]
Peter L. Shea