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A Subsidiary of PacifiCorp

July 16, 2003

W.E. (Gene) Herrington
 Landman - Coalbed Methane Group
ChevronTexaco
Texaco Exploration and Production Inc.
 11111 S. Wilcrest
 Houston, TX 77099

RECEIVED

JUL 21 2003

DIV. OF OIL, GAS & MINING

RE: Zions Federal 02-134 Well, Huntington Canyon Area, Emery County, Utah

Dear Mr. Herrington:

On behalf of PacifiCorp and our operating subsidiary Energy West Mining Company, this letter is written in response to your letter dated June 26, 2003 wherein you've provided notice of your intent to drill in Lot 5 (a.k.a. NW $\frac{1}{4}$ NW $\frac{1}{4}$) of Section 2, T. 17 S., R. 7 E. S.L.B.&M. While this particular drill hole location poses no immediate interference with our Deer Creek Coal Mine operations or federal coal lease UTSL-064607, this drill hole location does fall within the mine permit boundaries of the Deer Creek Coal Mine as you've noted in your letter.

For your information PacifiCorp has filed for a partial lease relinquishment of UTSL-064607 with the Bureau of Land Management which includes your area of drilling interest. In addition, PacifiCorp has also filed a request with the State of Utah Division of Oil, Gas & Mining (DOG M) to remove this area from the Deer Creek Mine permit boundary. A conditional approval to this request has been issued. While we do not have any objections to your drilling, we do however have concerns with your activities within the Deer Creek Mine permit boundary as presently constituted. To eliminate any misunderstandings and until DOGM issues it final approval to remove this area from the Deer Creek Mine permit, we simply request that notification be given to the DOGM prior to commencement of drilling and that we have the following understanding.

- (1) DOGM receives your notice of intent to drill a gas well and the selected location,
- (2) that your activities are in no way affiliated with Deer Creek Mine Permit No. C/015/018,
- (3) ChevronTexaco and it's contractor(s) and/or affiliates are responsible for all of the drilling related activities including compliance with all governing regulations and performance stipulations including reclamation and mitigation of any and all drilling related disturbances,

*Gene
 C/015/018
 Copy Baron,
 Jim Smith, Steve D.
 (PFO)*

W.E. (Gene) Herrington

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- (4) PacifiCorp and its affiliates have no affiliation with this activity, and
- (5) should there be any enforcement action taken by any regulator or government entity for any of the related activities associated with the referenced drilling project, it is ChevronTexaco's responsibility to mitigate and cure.

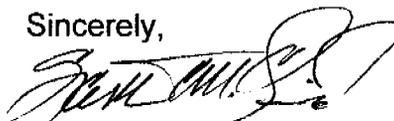
By notifying DOGM, this will greatly assist in the regulatory review process for those having jurisdiction over mining activities in the State of Utah and the differentiating activities taking place in like kind areas. Your notification can be directed to the attention of:

Mary Ann Wright
Associate Director of Mining
State of Utah
Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

We appreciate the advance notice and would respectfully ask that the above request be taken into consideration to eliminate any confusion. Your attention to this matter is greatly appreciated.

Meanwhile, we wish you the best on your drilling endeavors. Should you have any questions, please feel free to call at 801-220-4612.

Sincerely,



Scott M. Child
Manager, Lands & Regulatory Affairs

SMC\Energy West\Chevron2003-01.wpd

cc: Chuck Semborski - Energy West Mining Co. - Huntington, UT
Brian Young - PacifiCorp Property Management - NTO 320
Mary Ann Wright - DOGM