

AMAX COAL COMPANY

A DIVISION OF AMAX INC.

105 SOUTH MERIDIAN STREET, INDIANAPOLIS, INDIANA 46225 • (317) 266-2626

JOHN H. PAUL
VICE PRESIDENT—PUBLIC AFFAIRS

May 9, 1979

Mr. Paul T. Howard
State Director
Bureau of Land Management
University Club Building
136 East South Temple
Salt Lake City, Utah 84111

Dear Mr. Howard:

Meadowlark Farms, Inc., a wholly owned subsidiary of AMAX Inc., has entered into an option purchase agreement with the Kaiser Steel Corporation to develop coal properties in Townships 16 and 17, Ranges 14 and 15, in East Emery County, Utah.

It is the intention of AMAX to explore these areas and develop an underground mine within the six federal leases listed on Exhibit A, which is attached to this letter. We have already made formal contact with Mr. Jackson Moffit, the area mining supervisor in Salt Lake City, and our exploration plan filed under the amendments to the 211 regulations dated August 22, 1978, will be submitted to him on or about May 15, 1979.

At a meeting with officials of the Price River area office of the Bureau of Land Management on May 1, 1979, we discovered for the first time a substantial portion of the lease area referred to above has been included within the BLM Utah Initial Wilderness Inventory Moab UT-060-068 and UT-060-067. We recently became aware that portions of the lease area were included in the massive 068 study area, but we were not advised until the May 1st meeting that the 067 area, referred to as Turtle Canyon, included a large portion of the lease area. It should be noted that the Initial Inventory Document, which explains the program, as well as the accompanying map, does not delineate the UT-067 study area. Therefore, there was no information available to us concerning this specific area until May 1.

AMAX strongly suggests that areas UT-067 and UT-068 be removed from further review under the Initial Wilderness Inventory proposals. The area in question lies south of existing underground operations, including the Geneva Mine. As a result of our initial reconnaissance of the area, and our review of material supplied by Kaiser, we do not believe the areas in question possess characteristics of wilderness and we question any such designation, particularly because of the proximity of a producing mine.



Mr. Paul T. Howard
May 9, 1979
Page 2

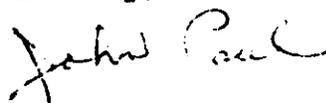
In the Wilderness Inventory Evaluation, the only reference to leases appears on page 2, paragraph 1 - Leases "...area is covered by oil and gas leases" and on page there is a reference to "small state section coal exploration ...". The inventory evaluation totally ignored the fact that area included the federal leases identified on Exhibit A, one of which was issued in 1974. It should also be noted that the area includes leases issued by the State of Utah, which are identified on Exhibit B, which is attached.

If exploration and development of the reserves contained in the federal and state leases is stopped or significantly delayed, both the federal government and the State of Utah will lose substantial revenues, not to mention the loss of jobs, tax revenues, etc. I previously indicated that we intend to file an exploration plan on or about May 15, and assuming that it meets the requirements of the 211 and 3041 regulations, it is critically important that we receive prompt approval in order for drilling to commence by July 1, 1979. Due to weather conditions in the area, and the time frames in the option agreement, any delay in early approval of our application would be devastating to the exploration program and perhaps to the development of the leases. I might add that these leases are, of course, subject to the due diligence requirements currently in effect and any delays could substantially impact on our ability to proceed with our plans which we believe will bring these reserves into production in a timely manner.

For the reasons cited, AMAX urges you to remove UT-060-067 and UT-060-068 from the intensive stage of the Inventory, proceed to review our exploration plan, and assuming it meets all the necessary requirements, process the application as early as possible. In the alternative to removing both UT-060-067 and UT-060-068 totally from further study, we believe at the very least the boundaries of those study areas should be adjusted to ensure that the federal and state lease areas under discussion are excluded from any further consideration under the intensive stage.

Thank you for your consideration of this matter which is of extreme importance to AMAX and Kaiser and we will, of course, be willing to meet with you or anyone you so designate to review this matter in detail and provide any necessary information.

Sincerely,


John H. Paul

JHP/tmc
cc: John Blake
Ron Daniels

Enc.

ATTACHMENT A

Leases - Federal

(1) United States Coal Lease No. Salt Lake 066490:

- (a) Township 16 South, Range 14 East, S.L.M.
Section 11: E 1/2
Section 12: W 1/2
Section 13: W 1/2
Section 14: E 1/2; SW 1/4
Section 15: E 1/2 SE 1/4
Section 22: NE 1/4 NE 1/4
Section 23: All except W 1/2 SW 1/4
Section 24: NW 1/4; W 1/2 SW 1/4
Section 26: N 1/2 NE 1/4

containing 2,440 acres.

(2) United States Coal Lease No. Salt Lake 069291:

- (a) Township 16 South, Range 14 East, S.L.M.
Section 24: E 1/2 SW 1/4
Section 25: W 1/2
Section 26: SE 1/4 NE 1/4; E 1/2 SE 1/4
Section 35: E 1/2 NE 1/4

containing 600 acres.

(3) United States Coal Lease No. Utah 014217:

- (a) Township 16 South, Range 14 East, S.L.M.
Section 25: SW 1/4 NE 1/4; SE 1/4
- (b) Township 16 South, Range 15 East, S.L.M.
Section 30: Lots 3, 4
Section 31: Lots 1, 2, 3; SE 1/4 NW 1/4; NE 1/4 SW 1/4

containing 455.84 acres.

(4) United States Coal Lease No. Utah 014218:

- (a) Township 16 South, Range 14 East, S.L.M.
Section 12: E 1/2

containing 320 acres.

(5) United States Coal Lease No. Utah 0126947:

- (a) Township 16 South, Range 14 East, S.L.M.
Section 13: E 1/2
Section 24: E 1/2
Section 25: N 1/2 NE 1/4; SE 1/4 NE 1/4
- (b) Township 16 South, Range 15 East, S.L.M.
Section 19: Lots 3, 4; SE 1/4 SW 1/4
Section 29: SW 1/4 SW 1/4
Section 30: Lots 1, 2; E 1/2 NW 1/4; E 1/2 SW 1/4;
W 1/2 SE 1/4; SE 1/4 SE 1/4; SW 1/4 NE 1/4
Section 31: Lot 4; E 1/2; NE 1/4 NW 1/4; SE 1/4 SW 1/4

ATTACHMENT A

(continued)

(c) Township 17 South, Range 15 East, S.L.M.

Section 5: N 1/2 NW 1/4 (Lots 3, 4)

Section 6: N 1/2 N 1/2 (Lots 1, 2, 3, 4)

containing 1,992.15 acres.

(6) United States Coal Lease No. Utah 0126948:

(a) Township 17 South, Range 14 East, S.L.M.

Section 11: Lots 1, 2, 3, 6, 7, 8, S 1/2 NE 1/4; SE 1/4 NW 1/4;
E 1/2 SW 1/4; SE 1/4

Section 12: NE 1/4; E 1/2 NW 1/4; NE 1/4 SW 1/4; N 1/2 SE 1/4

(b) Township 17 South, Range 15 East, S.L.M.

Section 5: S 1/2 NW 1/4; SW 1/4

Section 6: S 1/2 NE 1/4; SE 1/4; SE 1/4 NW 1/4; E 1/2 SW 1/4;
Lots 5, 6, 7; in all, constituting S 1/2 N 1/2 and S 1/2

Section 7: Lots 1, 2, 3, 4; E 1/2, E 1/2 W 1/2; in all, constituting
All

Section 8: W 1/2

containing 2523.22 acres.

ATTACHMENT B

Leases - State

- (1) State of Utah Coal Lease No. 2820:
 - (a) Township 16 South, Range 14 East, S.L.M.
Section 36: N 1/2; N 1/2 S 1/2

containing 480 acres.

- (2) State of Utah Coal Lease No. 16429:
 - (a) Township 16 South, Range 14 East, S.L.M.
Section 36: S 1/2 SE 1/4; SE 1/4 SW 1/4

containing 120 acres.