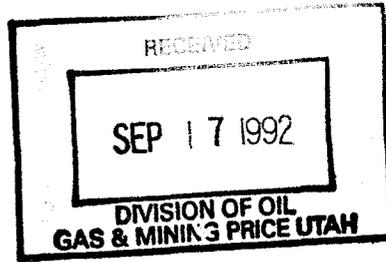


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CHAPTER 2

LEGAL, FINANCIAL, COMPLIANCE AND RELATED INFORMATION

Revised 9/16/92

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2.0 LEGAL, FINANCIAL, COMPLIANCE AND RELATED INFORMATION

2.1 Scope

The purpose of this chapter is to introduce Genwal Coal Co., Inc. and its officers and to provide documentation for the right to establish a coal mine in Crandall Canyon, remove coal and conduct business in Utah. Support information has been placed in the Appendix of this chapter.

2.2 Identification of Interests

Name, address and telephone number of applicant\permittee\operator:

Genwal Coal Company
P.O. Box 1201
Huntington, Utah 84528
Telephone (801) 687-9813

Legal owner of areas to be affected by surface operations and facilities:

United States Government
Administered by the United States
Department of Agriculture, Forest Service,
Intermountain Region
Manti-LaSal National Forest
599 West River Drive
Price, Utah 84501

Beaver Creek Coal Company
1109 South Carbon Avenue
Price, UT 84501

Legal owner of coal to be mined:

United States Government
Administered by the United States
Department of Interior, Bureau of Land Management
Moab District
P.O. Box AB
Price, UT. 84501

Holders of record of any leasehold interest in areas to be affected by surface operations or facilities:

Lessee:

Genwal Coal Company

Lessor:

Beaver Creek Coal Company
1109 South Carbon Avenue
Price, Utah 84501

Holders of record of any leasehold interest in the coal to be mined.

Lease, SL-062648, issued to John F. Sanders, Fairview, Utah on January 3, 1942, and readjusted January 3, 1962. John F. Sanders died in 1976, and this lease states that the coal lease was then owned by his heirs as recorded on July 9, 1979, in Emery County as follows:

Venna May Sanders, wife
Deon J. Sanders, son
Alice Maurine Beck, daughter
Robert DeReese Sanders, son
John Frank Sanders, son
Dorthea Garlick, daughter

The lease was assigned to Genwal Coal Company by the heirs. Currently IPA and NEICO have an undivided 50% interest as tenants in common of all leases previously held by Genwal. BLM has approved the assignments and documents IPA and NEICO as the current leaseholders. A document indicating BLM approval is included as Appendix 2-1 at the end of this chapter. Permit area and lease holdings are included in Appendix 2-1 Attachment C.

Lease U-54762 - issued to Genwal Coal Company, December 1986. Currently IPA and NEICO have an undivided 50% interest as tenants in common of all leases previously held by Genwal. Lease U-54762 contains 256.49 acres more or less as more specifically described:

T15S, R7E, S31, SE1/4SE1/4

T15S, R7E, S32, S1/2SW1/4, SW1/4SE1/4

T16S, R7E, S5, Lots 2, 3 and 8

Purchasers of record under real estate contract of areas to be affected by surface operations or facilities and/or coal to be mined:

None

Operator: Same as applicant.

Resident agent of applicant:

~~127865~~ Mr. R. Jay Marshall
Chief Engineer
Genwal Coal Company
P.O. Box 1201
Huntington, Utah 84528
Telephone (801) 687-9813

All correspondence and site inspections will be coordinated through the resident agent.

Applicant:

Genwal Coal Company, Inc., applicant, a Virginia corporation, is jointly owned by INTERMOUNTAIN POWER AGENCY, a political subdivision of the State of Utah and NEVADA ELECTRIC INVESTMENT COMPANY, a Nevada corporation, (the "Joint Owners") an Undivided Fifty Percent Interest as Tenants in Common.

Permittee will be the operator of the mine pursuant to agreement with the Joint Owners.

Information of Permittee 645-303-321.100

As operator of the mine, Genwal Coal Company will continue as Permittee under permit no. ACT/015/032.

Permittee's address remains:

Genwal Coal Company
Post Office Box 1201
195 North 100 West
Huntington, Utah 84528

Legal, financial compliance and related information (R645-321-300)

Joint Owners, operator and registered agents (R645-301-112-200).

1. Intermountain Power Agency, Joint Owner
c/o Los Angeles Department of Water and Power
P.O. Box 111, Suite 1164
Los Angeles, California 90051
(213) 481-4104

The name and address of IPA's General Manager is:

Reed T. Searle
Intermountain Power Agency
480 East 6400 South, Suite 200
Murray, Utah 84107
(801) 262-8807

Registered Agent for IPA:

Denise A. Dragoo
Fabian and Clendedin
a Professional Corporation
215 South State Street, 12th Floor
Salt Lake City, Utah 84111
(801) 531-8900

2. Nevada Electric Investment Company, Joint Owner
2835 South Jones Boulevard
Las Vegas, Nevada 89102
(702) 252-5001

The name and address of NEICO's President is:

Charlie F. Vaughn
Nevada Electric Investment Company
2835 South Jones Boulevard
Las Vegas, Nevada 89102

Resident Agent for NEICO:

Patrick H. Fenton
154 North Main Street, #203
Cedar City, Utah 84721
(801) 586-4351

3. Genwal Coal Company, Operator
Post Office Box 1201
195 North 100 West

Huntington, Utah 84528
(801) 687-9813

Names and addresses of officers of Genwal: - 108257

104741 Charlie F. Vaughn, President
6226 W. Sahara Ave.
Las Vegas, Nv. 89102

127856 Allen P. Childs, Vice President
Genwal Coal Company
Post Office Box 1201
195 North 100 West
Huntington, Utah 84528
(801) 687-9813

127857 Richard L. Hinckley, Secretary
6226 W. Sahara Ave.
Las Vegas, Nv. 89102

127858 Denise Wood, Treasurer
6226 W. Sahara Ave.
Las Vegas, Nv. 89102

Names and addresses of officers, directors and principal shareholders of
IPA:

Officers of IPA:

Reece D. Nielsen, Chairman
105 South 600 East
Hyrum, Utah 84319

R. Leon Bowler, Vice-Chairman
Dixie-Escalante Rural Electric Association, Inc.
Beryl, Utah 84714

Ray Farrell, Secretary
Heber Light & Power Company
31 South 100 West
Heber, Utah 84032

Clifford C. Michaelis, Treasurer
Bountiful Light & Power
198 South 200 West
Bountiful, Utah 84010

Directors of IPA:

Reece D. Nielsen, Chairman
105 South 600 East

Hyrum, Utah 84319

R. Leon Bowler, Vice-Chairman
Dixie-Escalante Rural Electric Association, Inc.
Beryl, Utah 84714

Ray Farrell, Secretary
Heber Light & Power Company
31 South 100 West
Heber, Utah 84032

Clifford C. Michaelis, Treasurer
Bountiful Light & Power
198 South 200 West
Bountiful, Utah 84010

Newel G. Daines, Jr., Director
1125 Cedar Heights
Logan, Utah 84321

Ted L. Olson, Director
P.O. Box 127
Ephraim, Utah 84627

Robert O. Christiansen, Director
260 West Center
Beaver, Utah 84713

Principal Shareholders of IPA:

IPA has no shareholders. IPA is a political subdivision of the State of Utah, and as such, has not issued stock.

Names and addresses of officers, directors and principal shareholders of NEICO (R645-301-112-310):

Officers of NEICO:

Charles A. Lenzie, Chairman
6226 W. Sahara Ave.
Las Vegas, Nevada 89102

Charlie F. Vaughn, President
2835 South Jones Boulevard
Las Vegas, Nevada 89102

Robert W. Mower, Vice President
2835 South Jones Boulevard
Las Vegas, Nevada 89102

Richard L. Hinckley, Secretary

6226 W. Sahara Ave.
Las Vegas, Nevada 89102

Sheryl Schmalz, Treasurer
2835 South Jones Boulevard
Las Vegas, Nevada 89102

Directors of NEICO:

Charles A. Lenzie
6226 West Sahara Ave.
Las Vegas, Nevada 89102

Charlie F. Vaughn
2835 South Jones Boulevard
Las Vegas, Nevada 89102

James C. Holcombe
6226 West Sahara Ave.
Las Vegas, Nevada 89102

Principal Shareholders of NEICO:

All stock of NEICO is owned by:

Nevada Power Company
6226 West Sahara Ave,
P.O. Box 230
Las Vegas, Nevada 89151

Names under which the Joint Owners and principal shareholders have previously operated mining activities (R645-301-112-321):

IPA is currently engaged in the reclamation of the Horse Canyon Mine, located in Emery County, Utah.

List of current or previous coal mining permits and pending permit applications (R645-301-112-400):

IPA is currently engaged in the reclamation of the Horse Canyon Mine, located in Emery County, Utah.

Identification of Interests (R645-301-112)

Corporate Status of Joint Owners (R645-301-112-100).

Intermountain Power Agency is a political subdivision of the State of Utah ("IPA") created under the Interlocal Cooperation Act, Title II, Chapter 13, Utah Code Ann. 1953, as amended.

Nevada Electric Investment Company is a Nevada corporation
("NEICO")

Owners of contiguous areas both surface and underground:

See Plate 2-1.

Name of mine:

Crandall Canyon Mine
MSHA ID# - 42-01715

2.3 Compliance Information

Applicant, nor any subsidiary, affiliate, or persons controlled by or under common control with the applicant, has not had a Federal or State mining permit suspended or revoked in the last five years. Nor have they forfeited a mining bond or similar security deposited in lieu of a bond.

A complete list of all the violations received by the applicant to date, can be found in the Appendix 2-2.

2.4 Right of Entry and Operation Information (R645-301-144)

Applicant bases its legal right to enter and begin underground mining activities in the permit area upon the following documents:

Federal Coal Lease U-54762 issued to Genwal Coal Company December 1, 1986 is currently owned by NEICO and IPA. IPA and NEICO have an undivided 50% interest as tenants in common of all leases previously under Genwal Coal Companies sole ownership.

Assignment of Federal Lease SL-062648 from heirs of John F. Sanders to applicant.

BLM approval of assignment to applicant from heirs of John F. Sanders. Copy of this approval is included with this application as Appendix 2-1, found at the end of this chapter.

The Joint Owners will succeed to all the rights and duties held by Permittee by operation of law, including the legal right to enter and continue coal mining and reclamation operations. Permittee will continue to operate the mine under the direction of the Joint Owners.

The Joint Owners base their legal right to enter and continue underground mining activities in the permit area upon the following documents:

Federal Coal Lease Assignments:

Assignment of Federal Coal Lease U-54762 issued to Genwal Coal Company December 1, 1986 and assigned to the Joint Owners on July 11, 1991.

Assignment of Federal Coal Lease SL-62648, assigned to the Joint Owners on July 11, 1991.

State Coal Lease Assignments:

Assignment of Utah State Coal Lease (ML-21568), assigned to the Joint Owners on July 11, 1991.

Assignment of Utah State Coal Lease (ML-21569), assigned to the Joint Owners on July 11, 1991.

Copies of the Assignments are included in Appendix 2-1. The Assignments are not subject to pending litigation.

Underground Access Special Use Permit Assignment:

Underground Access Special Use Permit issued July 20, 1991 to Genwal Coal Co. Inc. by the forest Service.

The right to continue underground mining operations will apply to the property attached hereto as Appendix 2-1.

The surface facility area and permit area is not within 300 feet of any occupied dwelling and is not subject to the prohibitions or limitations of the State and/or Federal Regulations.

2.5 Relationship to Areas Designated Unsuitable for Mining

All available information concludes that the proposed permit area is not within an area designated as unsuitable for underground mining activities (refer

to Appendix 2-7). The map required to be maintained by the regulatory authority under 764.25(b), does not indicate this permit area as unsuitable for underground mining. The regulatory authority has also stated that this area is not under study for designation in an administrative proceeding. The permit area is located in the Wasatch Plateau as described in the following publication, "Known Recoverable Coal Resource Area", as indicated in the San Rafael Planning Area Management Framework Plan, published in July 1979, by the United States Department of Interior, Bureau of Land Management. Pages 43 and 44 of that publication, copies of which are included with this application and found at the end of this chapter as Appendix 2-6, indicate that none of the acreage in the KRCRA was determined to be unsuitable for underground mining. In addition, the Land Management Plan, Ferron-Price Planning Unit, Manti-LaSal National Forest, published in May 1979, by the United States Department of Agriculture, Forest Service, Intermountain Region. The Forest Service has stated that this proposed permit area, which is included in the Section A3 mineable coal area of this publication, will not be considered unsuitable for leasing or mining. Page 149 of this document is included with this application as Appendix 2-7 at the end of this chapter.

The applicant was notified of a public hearing scheduled for June 2, 1981, at 3:00 p.m. in Huntington, Utah, at the Senior Citizens Center. An officer of Genwal Coal Company, Inc. was present at the hearing. The public hearing dealt with the proposed mining activities of the Crandall Canyon Mine within 100 feet of a public road (Forest Service development). The USFS has issued a Special Use Permit for the Crandall Canyon Mine and accepts that the operation will occur within 100 feet of the Forest Service Development road.

The surface facility area and permit area is not within 300 feet from any occupied dwelling and is not subject to the prohibitions or limitations of State and/or Federal Regulations.

2.6 Permit Term

The applicant requests a permit term of five years from the date of approval, however mining activities will continue longer than five years if the

coal becomes available.

The starting and termination dates in one year increments is shown on Plates 3-3A and 3-3B. The horizontal extent of the underground mine workings is also shown. Genwal will commit to comply with all applicable standards during times of temporary and permanent cessation of operations, further discussion may be found in Section 3.5.3.1.

2.7 Personal Injury and Property Damage Insurance

This application contains a certificate of liability insurance as Appendix 2-8 found at the end of this chapter.

2.8 Proposed Performance Bond

This application contains a copy of the performance bond to the BLM as Appendix 2-9 found at the end of this chapter.

Applicant proposes the type of bonding to be instituted for the mine life and reclamation monitoring period to be the entire performance bond for the entire permit term (i.e., five years plus a ten year liability period) dependent upon reclamation success beginning at the time of the last augmented seeding.

The form of performance bond that will be submitted to the regulatory authority will be a surety bond (MR Form 5) as sent by Utah Division of Oil, Gas and Mining.

The applicant has posted a bond for the area that is to be disturbed within the permit area as outlined on Plate 3-1 and the three topsoil storage areas as shown on Plate 3-8.

The three topsoil stockpile areas as shown on Plate 3-8 will be included in the disturbed and permit areas, and reclaimed in the approved method.

2.9 Location of Public Offices For Filing of Application

The applicant has filed complete copies of this application with the following agencies:

State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center
Suite 350
Salt Lake City, Utah 84180-1203

Emery County Courthouse
Castle Dale, Utah 84513

2.10 Newspaper Advertisement

A copy of the newspaper advertisement of the application and proof of publication of the advertisement was filed with the regulatory authority within four weeks after the last date of publication required and can be found as Appendix 2-11.

2.11 LBA #9

A lease by application has been filed with the BLM for the area shown on plate 2-1. The exact delineation or time schedule is not known at this time. Should Genwal Coal Company be successful in obtaining the lease a MRP would follow.

an amendment, in a form that can be inserted directly into the existing MRP, will be submitted to DOGM.