

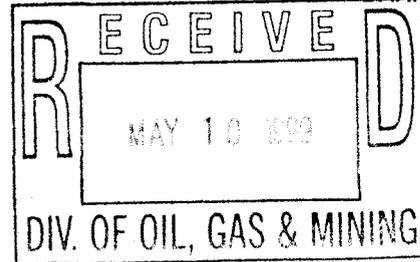
PAM

CASTLE VALLEY SPECIAL SERVICE DISTRICT

P.O. BOX 877
CASTLE DALE, UTAH 84513
TELEPHONE (801) 381-5333

May 5, 1999

DORR W. HANSON
Chairman
DARREL V. LEAMASTER
Manager



School & Institutional Trust Lands Administration
675 East 500 South, Suite 500
Salt Lake City, Utah 84102-2818

Attn: James D. Cooper

Re: Mill-Fork Coal Lease Tract

*Copy Steve, Sharon, Ken
ACT/015/032 #2*

Dear Mr. Cooper:

This letter is being submitted on behalf of Huntington City, Cleveland Town, Elmo Town and the Castle Valley Special Service District. The Castle Valley Special Service District manages and maintains the culinary water supply for these Communities.

Recently the State of Utah, through the School & Institutional Trust Lands Administration (SITLA) held a lease sale on the Mill-Fork Lease Tract in Huntington Canyon. The subject coal lease is located in close proximity to the Little Bear Spring. See the attached map for the spring location and coal lease boundaries.

The Little Bear Spring is the main source of water for the 2,800 people that live in Huntington, Cleveland and Elmo. The Little Bear Spring has been an important water source used by Huntington City since the early 1950's. This spring is extremely rare and valuable. We know of no other spring in Huntington Canyon or Joe's Valley area that produces the quantity and quality of water that this spring produces. There simply are no other springs like it in the area. The water source is essentially irreplaceable.

We have expended considerable amounts of money for the development of the spring and the miles of transmission lines to the spring. This spring is an important part of our water supply and we are vitally concerned with its future quality and quantity of flow. The value of this water source is impossible to estimate. The water it produces is of excellent quality. It has met all of the rigid MCL standards of the Safe Drinking Water Act. Every water test we have ever taken on it has met the State and Federal standards for drinking water. The attached table provides all of the pertinent flow data from the spring. Historically the Little Bear Spring has produced between 55 and 60% of our total water supply.

The Castle Valley Special Service District and the Communities involved have discussed the protection of this spring in great detail for the past several years. We are most concerned that mining activity in the lease area will interfere with both the quality and flow of the spring. The quality and flow of the water could both be interfered with.

Numerous studies have been conducted to determine the recharge area and source of the spring. Several theories have been presented but no one knows for certain the source of the spring and the impact that mining may have on the spring.

In the past, we have met with the Forest Service and the BLM to discuss our concerns about the spring. A portion of the original proposed lease that extended into Little Bear Canyon was eliminated by the BLM, at our insistence, to avoid potential problems with the spring. In addition the Forest Service has placed their standard stipulations concerning replacement requirements upon the lease to help protect the spring.

Castle Valley Special Service District Board had also met several times with Andalex-Genwal Coal Company, who we thought, would obtain the lease; to discuss the protection and replacement options for the spring. A Memorandum of Understanding Agreement has been formulated between Genwal and Castle Valley Special Service District for protection of the spring that was approved and signed by both parties.

Since Genwal Coal Company was not the successful bidder on the lease; all of our work, negotiations, and our Memorandum of Understanding Agreement with them is now useless.

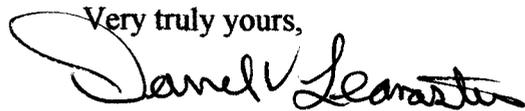
We request your assistance in helping us protect this vital resource. We ask that SITLA require the successful leaseholder, Pacifi Corp-Interwest Mining Co., to enter into agreements with Castle Valley Special Service District for protection and/or replacement of the spring.

We believe that Pacifi Corp, as a responsible corporate citizen of the area, should be willing to address our concerns and be willing to mitigate any impacts that their mining operations might cause. We have not yet met with them to discuss their plans for protection and mitigation of the spring. We plan to schedule a meeting with them to discuss their anticipated coal mining activity and their plan for protection and/or replacement of the spring. Your assistance may be required in this meeting.

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Thank you for your attention in this matter. We look forward to working with you towards a resolution of this problem.

Very truly yours,

A handwritten signature in black ink, appearing to read "Darrel V. Leamaster". The signature is written in a cursive style with a large initial "D".

Darrel V. Leamaster
District Manager

Cc: DOGM – Mary Ann Wright
Forest Service – Carter Reed
Interwest Mining Co. – Ann Baker
Huntington-Cleveland Irrigation Co.