



P.O. Box 1000
Healy, Alaska 99743
Phone: 907-683-2226
Fax: 907-683-2253

March 1, 2010

Mr. Russell Kirkham
Coal Regulatory Program Manager
Division of Mining, Land & Water
550 West 7th Avenue, Suite 920
Anchorage, Alaska 99501-3577

RE: Renewal Request for Coal Exploration Permit No. 01-86-795

Dear Mr. Kirkham:

In accordance with the provisions of AS 27.21 and 11 AAC 90, Usibelli Coal Mine, Inc. (UCM) hereby submits a renewal request for Coal Exploration Permit Number 01-86-795. As part of this request, we have enclosed a new Notice of Intent to Explore and Exploration Application. A check in the amount of Five Hundred and 00/100 dollars (\$500.00) is enclosed to cover the requisite filing fee along with one hard copy and one electronic copy of the application materials.

This renewal request is for an additional two year term and includes the exploration permit area that was previously approved in the existing permit. No additional exploration areas or revisions to the existing permit boundary are being proposed. All exploration and reclamation activities will be conducted as described in the attached application and in accordance with the performance standards outlined in 11 AAC 90.167. Upon approval by the Division of Mining, Land, & Water (DMLW), an additional \$10,000 will be posted to the existing reclamation bond that is currently on file. An itemized cost breakdown for the existing reclamation liability under permit number 01-86-795, as well as the reclamation costs for ongoing exploration activities, is contained in the enclosed application.

We trust this request for renewal of our coal exploration permit is complete and will meet with the DMLW's approval. We stand ready to work with you and answer any questions that may arise during your review.

Sincerely,

USIBELLI COAL MINE, INC.

James E. Helling / For

Robert M. Brown
Project Manager

Enclosures

USIBELLI COAL MINE, INC.

Remittance Advice

Check: 50444 Paid by: USIBELLI COAL MINE, INC.
 Date: 02/25/10 Paid to: STATE OF ALASKA
 Amount: 500.00

Our Account #: Vendor Code: 9335

Inv. Date	Invoice No.	Job Number	Inv. Amount	Discount	Amount Paid	Retention	Remarks
02/24/10	15396	40	500.00	0.00	500.00	0.00	#01-86-795 - WBH PERMIT RENEW
Check Totals			500.00	0.00	500.00	0.00	

DETACH AND RETAIN THIS STATEMENT MERRILL CORPORATION FMDC-CON 98001 10/98

WARNING: THIS DOCUMENT HAS A COLORED BACKGROUND AND A WATERMARK ON THE BACK - HOLD AT AN ANGLE TO VIEW

USIBELLI COAL MINE, INC.
 P.O. BOX 1000
 HEALY, ALASKA 99743
 PHONE (907) 683-2226

GENERAL ACCOUNT
 Key Bank of Alaska
 Main Office - Interior
 P.O. Box 71230
 Fairbanks, Alaska 99707-1230
 89-87
 1252

DATE	CHECK NO.
02/25/10	050444
	50444

PAY **FIVE HUNDRED AND XX / 100 DOLLARS

\$ **** 500.00**

TO THE ORDER OF
 STATE OF ALASKA
 DEPT OF NATURAL RESOURCES
 550 W 7TH AVE., SUITE 920
 ANCHORAGE, AK 99501-3577

[Signature]
[Signature]

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WISHBONE HILL
COAL EXPLORATION PERMIT RENEWAL APPLICATION
Permit Number 01-86-795

TABLE OF CONTENTS

Page

PREFACE..... 1

PART A – APPLICANT AND EXPLORATION AREA IDENTIFICATION..... 2

 NOTICE OF INTENT TO EXPLORE AND EXPLORATION APPLICATION FORM..... 3

 1.0 LOCATION OF EXPLORATION AREA 4

PART B – OWNERSHIP AND RIGHT OF ENTRY INFORMATION..... 8

 1.0 SURFACE/SUBSURFACE OWNERSHIP AND LEASEHOLDERS..... 9

 2.0 RIGHT OF ENTRY..... 15

PART C – ENVIRONMENTAL RESOURCE INFORMATION 17

 1.0 EXISTING ENVIRONMENT..... 18

 1.1 TOPOGRAPHY..... 18

 1.2 GEOLOGY 18

 1.3 SURFACE WATER 19

 1.4 VEGETATION..... 20

 1.5 SOILS 20

 1.6 FISH..... 20

 1.7 WILDLIFE..... 21

 1.8 ARCHAEOLOGY 22

 1.9 THREATENED AND ENDANGERED SPECIES..... 22

 1.10 LAND USE..... 23

PART D – EXPLORATION AND RECLAMATION METHODS 24

 1.0 METHODS AND PROCEDURES FOR EXPLORATION AND RECLAMATION 25

 1.1 ACCESS 25

 1.2 TYPES OF ACTIVITIES 26

1.3 METHODS	26
1.3.1 Activities Not Substantially Disturbing the Land Surface.....	26
1.3.2 Activities Substantially Disturbing the Land Surface.....	26
1.4 COAL REMOVAL.....	30
1.5 RECLAMATION PROCEDURES	30
1.5.1 Drill Hole Plugging.....	30
1.5.2 Removal of Facilities and Equipment.....	30
1.5.3 Backfilling and Grading.....	31
1.5.4 Revegetation	31
1.6 TIME FRAME.....	31
1.7 RECLAMATION COST ESTIMATE	32
1.8 REPORTING	33
PART E – EXPLORATION ON LANDS UNSUITABLE FOR MINING.....	34
1.0 AREAS UNSUITABLE FOR MINING.....	35

LIST OF EXHIBITS

EXHIBIT A LEGAL DESCRIPTION OF THE EXPLORATION AREA

LIST OF FIGURES

FIGURE 1 EXPLORATION AREA

FIGURE 2 COAL LEASE TRACTS

LIST OF TABLES

TABLE 1 BONDING SUMMARY FOR COAL EXPLORATION PERMIT 01-86-795

PREFACE

Usibelli Coal Mine, Inc.'s (UCM) coal exploration permit for the Wishbone Hill project (Permit No. 01-86-795) is scheduled to expire on May 20, 2010. In response to the Division of Mining, Land, and Water's (DMLW) request, the following Notice of Intent to Explore and Exploration Application have been prepared to complete the renewal process. The following application addresses the regulatory requirements contained in 11 AAC 90.161 – 11 AAC 90.167 and describes exploration activities that may be conducted during the next two year permit term. A properly executed copy of DMLW's "Notice of Intent to Explore and Exploration Application" form is included in Part A of the application and provides a comprehensive checklist for the informational requirements. Where appropriate, the form references the specific section of the Application that contains the required information. Ownership and right of entry information is presented in Part B and Part C contains information on environmental resources. Part D presents the exploration and reclamation methods and Part E addresses exploration on lands unsuitable for mining.

PART A – APPLICANT AND EXPLORATION AREA IDENTIFICATION

NOTICE OF INTENT TO EXPLORE AND EXPLORATION APPLICATION FORM

**ALASKA DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING LAND & WATER
COAL EXPLORATION
Notice of Intent to Explore
and
Exploration Application**

The Alaska Surface Coal Mining Control and Reclamation Act requires that any person who intends to conduct coal exploration which **will not** substantially disturb the natural land surface complete and file with the Department of Natural Resources a notice of intent to explore. **The completion of Parts A (including submission of the required permit fee), B, D, and E of this form will meet these requirements.** This form must be received at least thirty (30) days prior to commencement of the exploration.

The Act requires that any person who intends to conduct coal exploration which **will** substantially disturb the natural land surface must file a complete application for exploration. **The completion of Parts A (including submission of the required permit fee), C, D, and E of this form will meet the applicant's submission requirements.** The application should be submitted approximately three months prior to the anticipated commencement of exploration.

Substantial disturbance means an impact on land, water, or air resources by activities such as blasting; mechanical excavation (excluding the use of light, portable field equipment); drilling or enlarging coal or water exploratory holes or wells; and construction of roads, structures, trails, aircraft landing and marine docking areas.

Please submit one hard copy and one electronic copy of all application materials as specified by the Department.

Reference: Alaska Statute 27.21.200; 11 AAC 90.161 to 11 AAC 90.167.

PART A: GENERAL INFORMATION Ref: 11 AAC90.161; 11 AAC 90.163

- 1.1 Name of Applicant: Usibelli Coal Mine, Inc.
Contact: Robert Brown
- 1.2 Address of Applicant: P.O. Box 1000, Healy, Alaska 99743
- 1.3 Telephone Number: (907) 745-6028
- 1.4 If applicable, provide the following information for the representative who will be present and responsible for the exploration activities.
- 1.5 Name of Representative: Alan E. Renshaw
- 1.6 Address of Representative: P.O. Box 1000, Healy, Alaska 99743
- 1.7 Telephone Number: (907) 683-9739
- 1.8 Email Address: alan@usibelli.com

2.0 Location of the Exploration

- 2.1 Legal Description (attach additional pages as needed):
See Exhibit A

Township	Range	Section	Aliquot Part	Meridian	Acres
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Township	Range	Section	Aliquot Part	Meridian	Acres
----------	-------	---------	--------------	----------	-------

- 2.2 Number of Acres in Exploration Area: 8,139

- 2.3 Number of Acres of Federal Land (if applicable): N/A
- 2.4 USGS 1:250,000 or 1:63,360 Quadrangle Names: Anchorage C-6, Alaska
- 2.5 Distance and Direction to Nearest Community (in miles): 2 miles S
- 2.6 Attach map of exploration site and adjacent area. See Part A, Figure 1

3.0 Period of Exploration

- 3.1 Begin (Month/Day/Year): June 1, 2010
- 3.2 End (Month/Day/Year): July 15, 2010

4.0 Ownership of Surface/Subsurface Mineral Estate

If the surface or the mineral estate is owned or leased by someone other than the applicant, answer 4.1 - 4.5, as appropriate (**attach additional pages as needed**).

- 4.1 Surface Owner
 - Name: See Part B, Section 1.0
 - Address: _____
 - Telephone Number: _____

- 4.2 Mineral Estate Owner
 - Name: _____
 - Address: _____
 - Telephone Number: _____

- 4.3 Surface Land Leaseholder
 - Lease #: _____
 - Name: _____
 - Address: _____
 - Telephone Number: _____

- 4.4 Mineral Estate Leaseholder
 - Lease #: _____
 - Name: _____
 - Address: _____
 - Telephone Number: _____

- 4.5 Adjacent Surface & Mineral Estate Leaseholders
 - Lease #: _____
 - Name: _____
 - Address: _____
 - Telephone Number: _____

4.6 Right to Enter: Provide a statement describing the basis by which the applicant claims the right to enter the land for the purposes of conducting exploration and reclamation, Reference relevant federal, state, and local government prospecting permits or lease documents. Attach copies of supporting documents, as appropriate.

See Part B, Section 2.0

5.0 Fees

Ref: 11 AAC 90.011

- 5.1 Permit Fee \$500.00 Attach receipt. (Refer to fee schedule below)
 Exploration - notice of intent \$100
 Exploration: substantial disturbance \$500 + cost of all public notices

PART B: NOTICE OF INTENT TO EXPLORE

Ref: 11 AAC 90.161

6.0 Intention to Explore

- 6.1 Describe intended exploration activities, including major' pieces of equipment and their use. See Part D, Section 1.3
- 6.2 Will exploration activities substantially disturb the natural surface of the land?
 YES NO
- If yes, proceed to Part C; if no, answer 6.3 and proceed to Part D. (See definition on page 1 of this form.)
- 6.3 Describe practices to be used to protect the environment from adverse impacts resulting from exploration activities. See Part D, Section 1.5

PART C: EXPLORATION PERMIT APPLICATION

**Ref: 11 AAC 90.163;
 11 AAC 90.167**

7.0 Exploration Area Description

Note: all technical data in this application must be accompanied by:

- 1) names of persons and organizations who gathered and analyzed data;
- 2) dates of data collections and analysis;
- 3) description of procedures used; and
- 4) names, addresses and positions of officials of each agency consulted.

- 7.1 Indicate type(s) of surface disturbance: blasting. mechanical excavation Drilling, altering coal or water exploration holes and wells, road or trail construction or modification aircraft landing construction/modification marine docking facility construction/modification construction of structures placement of excavated material or debris on surface other, specify See Part D, Section 1.0
- 7.2 Provide a map of at least a scale of 1:63,360 enlarged 2.5 times (~1:25000), showing the following existing surface features: See Part A, Figure 1
- a. existing roads and trails;
 - b. occupied dwellings and other structures;
 - c. pipelines, airfields and marine docking facilities;
 - d. bodies of water; .
 - e. historic, archeological and cultural features;
 - f. topographic and drainage features; and

g. habitats of endangered or threatened species.

7.3 Using existing information, briefly describe, with cross references to the map in 7.2, the surface topography, geology, surface waters, predominant land use, and other physical features. See Part C, Section 1.0

7.4 Using existing information, briefly describe, with cross references to the map in 7.2, vegetation cover and important habitats of fish, wildlife and plants. See Part C, Section 1.0

7.5 Does the exploration area include critical habitat of threatened or endangered species; or species such as eagles, migratory birds or other animals protected by state or federal law; or habitats of unusually high value for fish and wildlife?

YES NO

If yes, describe impact, control measures, management techniques and monitoring methods to be utilized to protect these species and habitats.

7.6 Does the exploration area include known archeological resources; or districts, sites, structures or objects listed on the National Register of Historic Places?

YES NO

If yes, identify and describe, and describe protection measures to be implemented.

8.0 Exploration and Reclamation Methods

8.1 Provide a map of at least a scale of 1:63,360 enlarged 2.5 times, showing the following exploration and reclamation features (if appropriate, this may be combined with the map required under 7.2): See Part D & Figure 1 in Part A

- a. the area to be disturbed by exploration and reclamation; .
- b. access routes, including new roads, trails or other transportation facilities to be constructed, and existing facilities to be used or modified;
- c. proposed excavations and trenches;
- d. water or coal exploratory holes to be drilled or altered;
- e. earth or debris disposal areas; f. sediment control measures, such as sediment ponds and structures for diverting overland flow, if required; and
- g. other exploration or reclamation features.

8.2 Provide a description of exploration and reclamation methods and a discussion of how the exploration will comply with the performance standards in 11 AAC 90.167. Cross-referencing the map in 8.1, describe, at a minimum, the following: See Part D,

- a. types and uses of equipment; Section 1.0
- b. design, construction, maintenance and removal of any proposed new roads, trails or other transportation facilities;
- c. alteration and restoration of existing transportation facilities;
- d. blasting procedures;
- e. earth or debris disposal;
- f. backfilling and regrading of all excavations, artificial flat areas, embankments or other disturbed areas to their approximate original contour;
- g. topsoil removal, storage and redistribution;
- h. seed mix, application rates, seeding method and other procedures to be implemented in the establishment of a vegetative cover on all disturbed areas;
- i. procedures for plugging and abandoning exploration holes, boreholes, wells or other exposed underground openings;

- j. procedures and control practices to be implemented to minimize disturbance to the prevailing hydrologic balance, including, if necessary, sedimentation control;
- k. handling and disposal of known acid-forming or toxic-forming materials, if any; and
- l. removal of all facilities and equipment.

- 8.3 Provide a time table for each phase of exploration and reclamation including starting and ending date, type of disturbance, area of disturbance, and reclamation measures. *See Part D, Section 1.6*
- 8.4 Give an estimate of the quantity of coal to be removed during the exploration. Specify method used to measure quantity. *See Part D, Section 1.4*
- 8.5 Give a detailed estimate of the cost of reclamation of all areas to be affected by exploration activities. *See Part D, Section 1.7*

PART D: EXPLORATION ON LANDS UNSUITABLE FOR MINING
Ref: 11 AAC 90.165

9.1 Does the proposed exploration area include any area previously designated as unsuitable for all or certain types of mining by the Commissioner of Natural Resources?
 YES NO

If yes, respond to 9.2 and 9.3. . .

9.2 Indicate petition name and number: N/A

9.3 Describe the basis for the designation of the area as unsuitable for mining and why exploration in the area is not incompatible with the values or features which led to the designation of the area.

PART E:

The applicant states to the best of his or her knowledge and belief that all statements made in the notice of intent to explore or in the application to explore are true and correct.

Applicant's Name: Alan E. Renshaw Title: V.P. Operations

Address: P.O. Box 1000, Healy, Alaska 99743

Applicant's Signature: *Alan Renshaw* Date: 2/25/10

Subscribed and sworn before me by Alan Renshaw this the 25th day of Feb., 2010

Notary Public: *Beth Milliken* My commission expires 10/26/10

[SEAL]

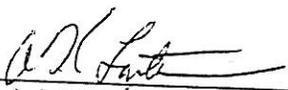
Note: Attach a copy of power of attorney, or resolution of Board of Directors that grants signature authority)

CERTIFICATION

A.K. Lanterman, Secretary of Usibelli Coal Mine, Inc., an Alaska corporation, does hereby certify that the following resolution was unanimously adopted by the Board of Directors at its Board of Directors meeting held on May 5, 2003, and said resolution is spread on the corporate minutes of said Board of Directors:

"Resolved: That ~~W.~~ Keith Walters, General Manager, and Alan E. Renshaw, Chief Engineer, are thereby authorized to sign all documents relating to the Alaska Surface Mining Control and Reclamation Act (ASMCRA) on behalf of the Corporation."

Dated: 05/05/03



A.K. LANTERMAN
Secretary of Usibelli Coal Mine, Inc.

1.0 LOCATION OF EXPLORATION AREA

The exploration area encompasses UCM's coal lease holdings in the Wishbone Hill district of the Matanuska Coal Field. These lease holdings include eight State of Alaska coal leases and two coal lease areas with Cook Inlet Region, Inc. (CIRI). Exhibit A provides the legal description and acreage for each individual coal lease and also includes the total acreage within the exploration area. Figure 1, depicts the exploration area boundary and adjacent areas.

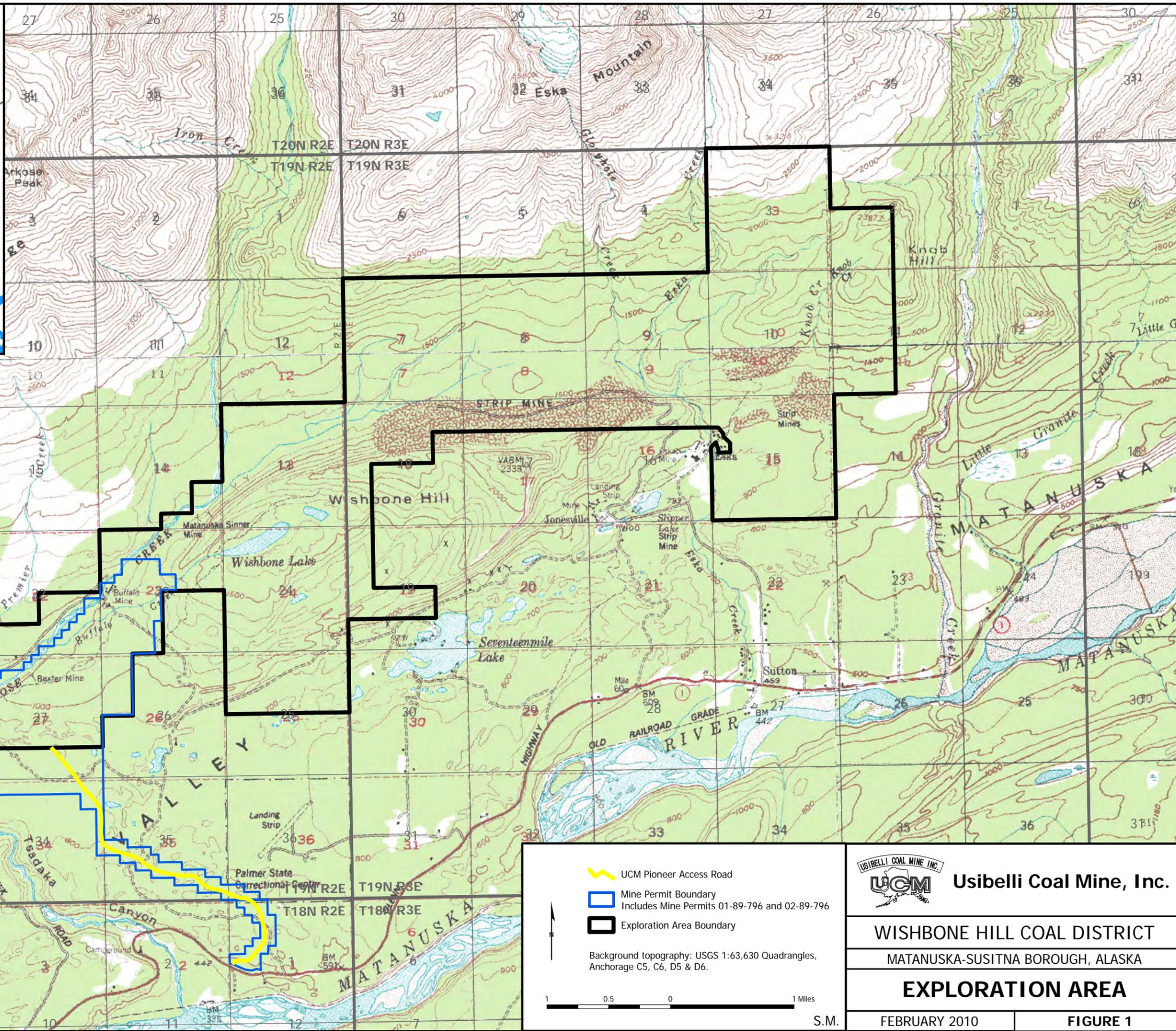
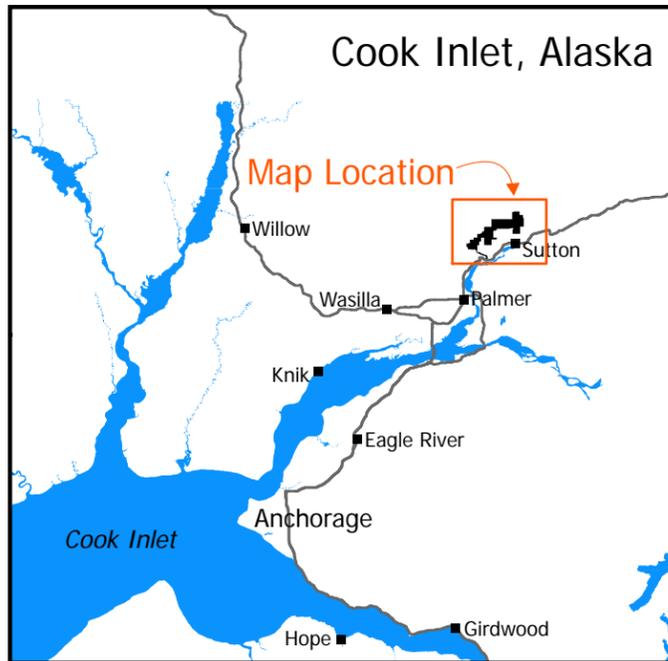
**EXHIBIT A
LEGAL DESCRIPTION OF THE EXPLORATION AREA**

Coal Lease No.	Legal Description	Acreage
ADL 32144	<u>Township 19 North, Range 2 East, S.M.</u> Section 22: S1/2 SW1/4, W1/2 SE1/4 Section 27: N1/2, N1/2 S1/2 Section 28: N1/2 SE1/4, SE1/4 NE1/4, S1/2 SW1/4 NE1/4, NW1/4 SW1/4 NE1/4	Total 790.00
ADL 309947	<u>Township 19 North, Range 2 East, S.M.</u> Section 22: E1/2 SE1/4 Section 23: NW1/4, W1/2 NE1/4, N1/2 SW1/4	Total 400.00
ADL 23803	<u>Township 19 North, Range 2 East, S.M.</u> Section 13: SW1/4 SW1/4, SW1/4 NW1/4 SW1/4 Section 14: S1/2 NE1/4 SE1/4, SE1/4 SE1/4, S1/2 SW1/4 SE1/4 Section 23: N1/2 NE1/4 NE1/4	Total 150.00
ADL 32136	<u>Township 19 North, Range 2 East, S.M.</u> Section 13: NE1/4 SW1/4, NW1/4 SE1/4, SW1/4 NE1/4, N1/2 NW1/4 SW1/4, SE1/4 NW1/4 SW1/4, S1/2 NW1/4	Total 230.00
ADL 501267	<u>Township 19 North, Range 2 East, S.M.</u> Section 13: Lots 1 & 2, SE1/4 SE1/4, Unsurveyed Fraction Section 23: SE1/4 NE1/4, S1/2 NE1/4 NE1/4 Section 24: All Section 25: N1/2 <u>Township 19 North, Range 3 East, S.M.</u> Section 18: Lot 4 Section 19: Lots 1, 2, & 4, NE1/4 SW1/4, NW1/4 SE1/4	Total 1354.13
ADL 501264	<u>Township 19 North, Range 2 East, S.M.</u> Section 13: NE1/4 SE1/4, SE1/4 NE1/4, N1/2 NE1/4 <u>Township 19 North, Range 3 East, S.M.</u> Section 7: All Section 8: All Section 17: N1/2 N1/2 Section 18: Lots 1 through 3, NE1/4 NE1/4, W1/2 NE1/4, E1/2 NW1/4	Total 1869.44

EXHIBIT A (Continued)

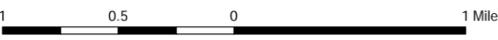
Coal Lease No.	Legal Description	Acreage
ADL 501265	<u>Township 19 North, Range 3 East, S.M.</u> Section 3: All Section 9: All Section 10: N1/2 SE1/4, SW1/4, N1/2 Section 16: N1/2 N1/2, Excluding Railroad Right-Of-Way	Total 1999.99
ADL 511534	<u>Township 19 North, Range 3 East, S.M.</u> Section 2: SW1/4 Section 10: S1/2 SE1/4 Section 11: W1/2 Section 15: N1/2 NE1/4	Total 640.00
CIRI West Tract	<u>Township 19 North, Range 2 East, S.M.</u> Section 23: S1/2 SW1/4 Section 26: W1/2 NW1/4	Total 160.00
CIRI East Tract	<u>Township 19 North, Range 3 East, S.M.</u> Section 15: S1/2 NE1/4, N1/2 NW1/4, SE1/4 NW1/4, S1/2, Tracts B, C, & D, ASLS 78-97	Total 545.65
TOTAL EXPLORATION AREA		8139.21

FIGURE 1
EXPLORATION AREA



 UCM Pioneer Access Road
 Mine Permit Boundary
 Includes Mine Permits 01-89-796 and 02-89-796
 Exploration Area Boundary

Background topography: USGS 1:63,630 Quadrangles, Anchorage C5, C6, D5 & D6.

 1 0.5 0 1 Miles
 S.M.

 **Usibelli Coal Mine, Inc.**

WISHBONE HILL COAL DISTRICT
 MATANUSKA-SUSITNA BOROUGH, ALASKA
EXPLORATION AREA
 FEBRUARY 2010 FIGURE 1

PART B – OWNERSHIP AND RIGHT OF ENTRY INFORMATION

1.0 SURFACE/SUBSURFACE OWNERSHIP AND LEASEHOLDERS

Information relative to the surface owner, mineral estate owner, surface land leaseholder, and mineral estate leaseholder is provided for each of the coal leases within the exploration area. Figure 2, Coal Lease Tracts, depicts the location, as well as the surface and mineral ownership, for each of the coal lease tracts.

ADL 32144

Surface Owner – Entire Lease Area
State of Alaska
550 West 7th Ave, Suite 1070
Anchorage, Alaska 99501
(907) 269-8503

Mineral Estate Owner – That portion lying in Section 28, T19N, R2E, S.M
Mental Health Trust Land Office
718 L Street
Anchorage, Alaska 99501
(907) 269-8658

Mineral Estate Owner – Remaining Portion of Lease
State of Alaska
550 West 7th Ave, Suite 1070
Anchorage, Alaska 99501
(907) 269-8503

Surface Leaseholder – Entire Lease
None

Mineral Estate Leaseholder – Entire Lease
Usibelli Coal Mine, Inc.
P. O. Box 1000
Healy, Alaska 99743
(907) 683-2226

ADL 309947

Surface Owner – Entire Lease
State of Alaska
550 West 7th Ave, Suite 1070
Anchorage, Alaska 99501
(907) 269-8503

Mineral Estate Owner – Entire Lease
State of Alaska
550 West 7th Ave, Suite 1070
Anchorage, Alaska 99501
(907) 269-8503

Surface Leaseholder – Entire Lease
None

Mineral Estate Leaseholder – Entire Lease
Usibelli Coal Mine, Inc.
P. O. Box 1000
Healy, Alaska 99743
(907) 683-2226

ADL 23803

Surface Owner – Entire Lease
State of Alaska
550 West 7th Ave, Suite 1070
Anchorage, Alaska 99501
(907) 269-8503

Mineral Estate Owner – Entire Lease
State of Alaska
550 West 7th Ave, Suite 1070
Anchorage, Alaska 99501
(907) 269-8503

Surface Leaseholder – Entire Lease
None

Mineral Estate Leaseholder – Entire Lease
Usibelli Coal Mine, Inc.
P. O. Box 1000
Healy, Alaska 99743
(907) 683-2226

ADL 32136

Surface Owner – Entire Lease
State of Alaska
550 West 7th Ave, Suite 1070
Anchorage, Alaska 99501
(907) 269-8503

Mineral Estate Owner – Entire Lease
State of Alaska
550 West 7th Ave, Suite 1070
Anchorage, Alaska 99501
(907) 269-8503

Surface Leaseholder – Entire Lease
None

Mineral Estate Leaseholder – Entire Lease
Usibelli Coal Mine, Inc.
P. O. Box 1000
Healy, Alaska 99743
(907) 683-2226

ADL 501267

Surface Owner – Entire lease tract excluding the SW1/4 NW1/4, N1/2 NW1/4, Section 13, T19N, R2E, S.M.
State of Alaska
550 West 7th Ave, Suite 1070
Anchorage, Alaska 99501
(907) 269-8503

Surface Owner - SW1/4 NW1/4, N1/2 NW1/4, Section 13, T19N, R2E, S.M.
Stephanie J. Nispel, Bailey & Randy Bailey
HC 31, Box 5152
Wasilla, Alaska 99654

Mineral Estate Owner – That portion lying in Sections 18 and 19, T19N, R3E, S.M
Mental Health Trust Land Office
718 L Street
Anchorage, Alaska 99501
(907) 269-8658

Mineral Estate Owner – Remaining Portion of Lease
State of Alaska
550 West 7th Ave, Suite 1070
Anchorage, Alaska 99501
(907) 269-8503

Surface Leaseholder – Entire Lease
None

Mineral Estate Leaseholder – Entire Lease
Usibelli Coal Mine, Inc.

P. O. Box 1000
Healy, Alaska 99743
(907) 683-2226

ADL 501264

Surface Owner – Entire Lease
State of Alaska
550 West 7th Ave, Suite 1070
Anchorage, Alaska 99501
(907) 269-8503

Mineral Estate Owner – That portion lying in Section 17 ,18 , and SW1/4 SE1/4,SE1/4
SW1/4 of Section 8, T19N, R3E, S.M
Mental Health Trust Land Office
718 L Street
Anchorage, Alaska 99501
(907) 269-8658

Mineral Estate Owner – Remaining Portion of Lease
State of Alaska
550 West 7th Ave, Suite 1070
Anchorage, Alaska 99501
(907) 269-8503

Surface Leaseholder – Entire Lease
None

Mineral Estate Leaseholder – Entire Lease
Usibelli Coal Mine, Inc.
P. O. Box 1000
Healy, Alaska 99743
(907) 683-2226

ADL 501265

Surface Owner – Entire Lease
State of Alaska
550 West 7th Ave, Suite 1070
Anchorage, Alaska 99501
(907) 269-8503

Mineral Estate Owner – That portion lying in Section 10, and E1/2, NW1/4, S1/2 S1/2
SW1/4 of Section 9, T19N, R3E, S.M
Mental Health Trust Land Office
718 L Street

Anchorage, Alaska 99501
(907) 269-8658

Mineral Estate Owner – Remaining Portion of Lease
State of Alaska
550 West 7th Ave, Suite 1070
Anchorage, Alaska 99501
(907) 269-8503

Surface Leaseholder – Entire Lease
None

Mineral Estate Leaseholder – Entire Lease
Usibelli Coal Mine, Inc.
P. O. Box 1000
Healy, Alaska 99743
(907) 683-2226

ADL 511534

Surface Owner – Entire Lease
State of Alaska
550 West 7th Ave, Suite 1070
Anchorage, Alaska 99501
(907) 269-8503

Mineral Estate Owner – That portion lying in Section 11, T19N, R3E, S.M
Mental Health Trust Land Office
718 L Street
Anchorage, Alaska 99501
(907) 269-8658

Mineral Estate Owner – Remaining Portion of Lease
State of Alaska
550 West 7th Ave, Suite 1070
Anchorage, Alaska 99501
(907) 269-8503

Surface Leaseholder – Entire Lease
None

Mineral Estate Leaseholder – Entire Lease
Usibelli Coal Mine, Inc.
P. O. Box 1000
Healy, Alaska 99743
(907) 683-2226

CIRI WEST TRACT

Surface Owner – S1/2 SW1/4, Section 23, W1/2 NW1/4, Section 26, T19N, R2E, S.M.
Usibelli Coal Mine, Inc.
P. O. Box 1000
Healy, Alaska 99743
(907) 683-2226

Mineral Estate Owner – Entire West Tract
Cook Inlet Region, Inc.
2525 C Street, Suite 500
Anchorage, Alaska 99509
(907) 274-8638

Surface Leaseholder – Entire West Tract
None

Mineral Estate Leaseholder – Entire West Tract
Usibelli Coal Mine, Inc.
P. O. Box 1000
Healy, Alaska 99743
(907) 683-2226

CIRI EAST TRACT

Surface Owner – Entire East Tract excluding the north 960 feet of the easterly 1815 feet of the NW1/4, Section 15, T19N, R3E, S.M.
Cook Inlet Region, Inc.
2525 C Street, P.O. Box 93330
Anchorage, Alaska 99509
(907) 274-8638

Surface Owner – The north 960 feet of the easterly 1815 feet of the NW1/4, Section 15, T19N, R3E, S.M.
Matanuska Susitna Borough
350 E. Dahlia Avenue
Palmer, Alaska 99645
(907) 745-4801

Mineral Estate Owner – Entire East Tract
Cook Inlet Region, Inc.
2525 C Street, Suite 500
Anchorage, Alaska 99509
(907) 274-8638

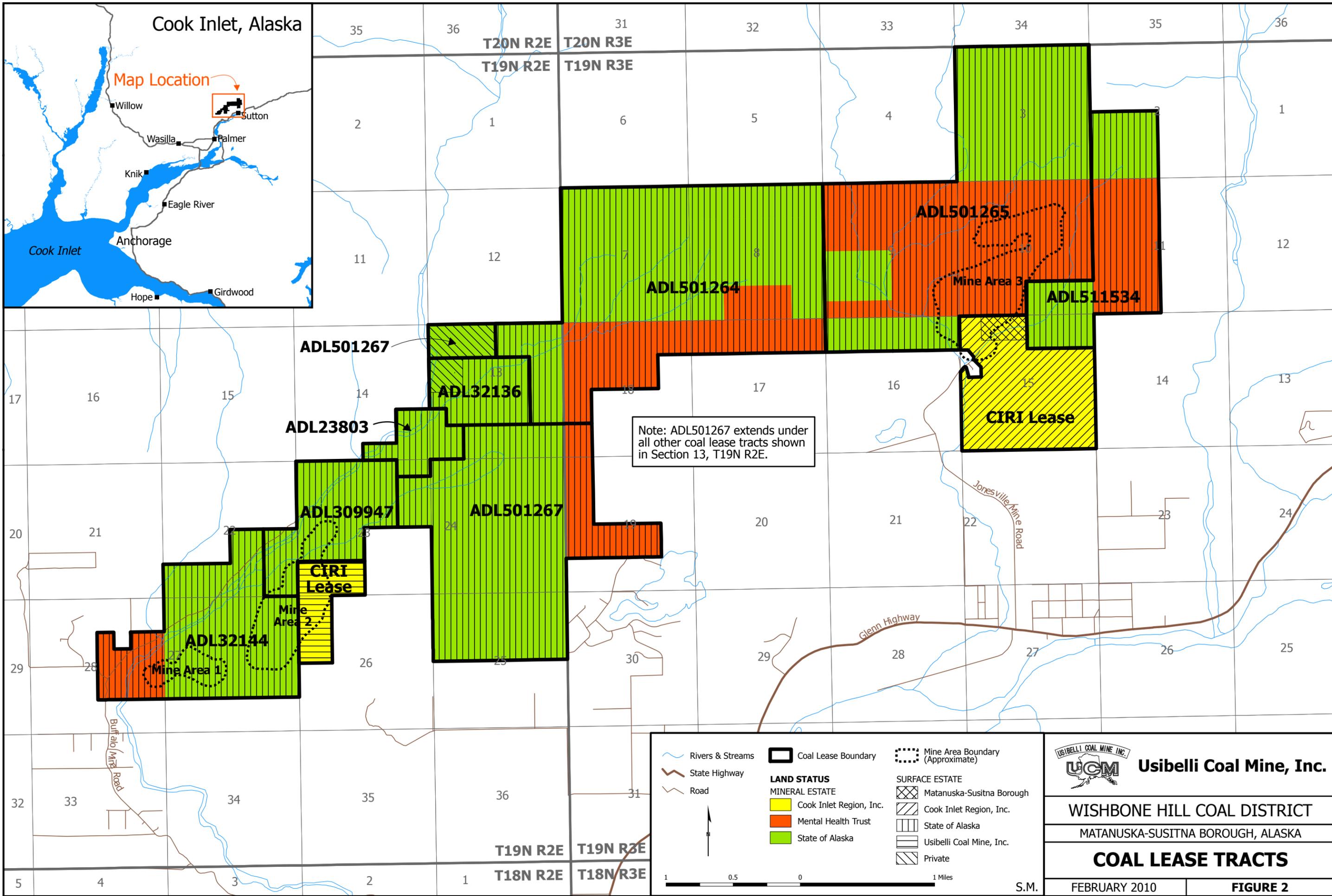
Surface Leaseholder – Entire East Tract
None

Mineral Estate Leaseholder – Entire East Tract
Usibelli Coal Mine, Inc.
P. O. Box 1000
Healy, Alaska 99743
(907) 683-2226

2.0 RIGHT OF ENTRY

UCM's state and private coal leases provide the right to enter the surface estate of the exploration area and conduct coal exploration activities. The only exceptions include a 40 acre parcel of land in the N1/2 NW1/4, Section 15, T19N, R3E, S.M. and another 120 acre parcel in the SW1/4 NW1/4, N1/2 NW1/4, Section 13, T19N, R2E, S.M. The surface rights for the 40 acre tract are owned by the Matanuska Susitna Borough and the surface estate of the 120 acre parcel is privately owned by the Baileys (see Figure 2, Coal Lease Tracts). Prior to conducting exploration activities on these parcels, permission to access the land will be obtained from the land owners and provided to the DMLW.

FIGURE 2
COAL LEASE TRACTS



Note: ADL501267 extends under all other coal lease tracts shown in Section 13, T19N R2E.

Rivers & Streams	Coal Lease Boundary	Mine Area Boundary (Approximate)
State Highway	LAND STATUS	SURFACE ESTATE
Road	Cook Inlet Region, Inc.	Matanuska-Susitna Borough
	Mental Health Trust	Cook Inlet Region, Inc.
	State of Alaska	State of Alaska
		Usibelli Coal Mine, Inc.
		Private

1 0.5 0 1 Miles

Usibelli Coal Mine, Inc.

WISHBONE HILL COAL DISTRICT

MATANUSKA-SUSITNA BOROUGH, ALASKA

COAL LEASE TRACTS

FEBRUARY 2010 **FIGURE 2**

PART C – ENVIRONMENTAL RESOURCE INFORMATION

1.0 EXISTING ENVIRONMENT

1.1 TOPOGRAPHY

Wishbone Hill is the dominant topographic feature within the exploration area. This feature is a prominent conglomerate-capped hill that occupies the central portion of the Wishbone Hill coal district. Although there are steep slopes within the vicinity of Wishbone Hill, a large portion of the exploration area consists of rolling hills. Glaciation is responsible for the current topography including many of the glacial and sedimentary deposits found at lower elevations. Elevations within the exploration area range from approximately 800 to 2000 feet above sea level.

1.2 GEOLOGY

The present day Matanuska Valley is a narrow structural trough 5 to 10 miles wide and 50 miles long where upper Mesozoic and Tertiary sedimentary rocks have been down-dropped along faults and sharp flexures. Older and more resistant rocks of the Talkeetna and Chugach Mountains flank the valley on the north and south sides, respectively. The sedimentary rocks in the valley generally have been complexly faulted, tilted and folded. The Wishbone Hill coal district lies in the western or lower portion of the Matanuska Valley structural trough and typifies the valley's structurally complex geology.

The district is composed of moderately to highly deformed clastic rocks of Tertiary age. The Matanuska formation of upper Cretaceous age presumably underlies the district; however, it is only exposed in a few localities. The Tertiary system is comprised of three nonmarine formations known in descending order as the Tsadaka, Wishbone, and Chickaloon formations. The Tsadaka formation consists of several hundred feet of coarse granite-cobble-rich conglomerate with occasional sandstone and siltstone lenses. Thick sequences of massive to poorly stratified conglomerate beds, lenticular sandstone and siltstone beds, and a few thin lenses of claystone make up the Wishbone formation. Within the district, the maximum thickness of this formation is 1,800 to 2,000 feet. The Chickaloon formation is comprised of approximately

5,000 feet of interbedded conglomerate, sandstone, siltstone, claystone, shale, and many coal beds.

The mineable coal beds of the Chickaloon formation are generally confined to the upper 1,400 to 1,800 feet of the formation and are situated in four rather well defined coal beds. The individual groups of coal beds are known in descending order as the Jonesville, Premier, Eska, and Burning Bed. Within a given group, the thickness and quality of individual beds may vary within relatively short distances because of the complex structure.

1.3 SURFACE WATER

Perennial streams, intersecting portions of the exploration area, include Moose and Eska Creeks. These streams are tributary to the Matanuska River and have watersheds that are steep and relatively long and narrow.

Typical stream flow is generated from precipitation, snowmelt, and glacial meltwater. Flows vary seasonally with peak flows occurring in spring and early summer due to snowmelt and breakup and in late summer and early autumn due to rainstorms. Periods of lowest flow occur in winter when precipitation falls as snow and when little surface runoff occurs. Mid-summer low flows are usually sustained by effluent ground water flows and melt water from the perennial snow pack.

The dominant erosion mechanisms within the basins are mass wasting and mechanical erosion processes associated with freeze/thaw activity acting on bare rock on high, steep, and unforested mountain slopes. In the forested areas at lower elevations, erosion of surficial soils by rainfall and snow melt runoff occurs.

The only natural lake within the exploration area is Wishbone Lake. During periods of high runoff, Wishbone Lake drains into Moose Creek via Buffalo Creek. Buffalo Creek is a small sub-basin within the Moose Creek watershed and only flows intermittently.

1.4 VEGETATION

The majority of the vegetation on the exploration area has been affected by a variety of disturbances including but not limited to fire, timber management, wildlife habitat improvements, mining, and recreational activities. The dominant vegetation types include paper birch/aspen, paper birch/white spruce, young birch, poplar, alder/ willow, and lowland and upland meadows. Understory vegetation is very similar among the forest types and is dominated by grasses and forbs. The vegetation types are fairly common and most of the plant species occur throughout the state. Moose have heavily browsed most shrubs in the area and caused many of the birch trees to assume a shrub growth form.

1.5 SOILS

The Wishbone Hill area is a prominent topographic upland within the lower Matanuska Valley. It is separated from the Talkeetna Mountains to the north, by a broad valley drained by the tributaries of Moose and Eska Creeks. Sharply incised valleys of Moose and Eska Creeks comprise the west and east sides of Wishbone Hill. On the south, it is flanked by a broad undulating sand and gravel glacial outwash surface about 800 feet in elevation. The main Wishbone Hill upland is underlain by very gravelly, sandy loam glacial till. A surface mantle of wind deposited loess overlies both the glacial out wash and till surfaces. This loess material is derived primarily from fluvial deposits within the upper Matanuska River Valley. The surface mantle also contains a small admixture of volcanic ash. The convex upland position of Wishbone Hill and the very thick and coarse glacial deposits both contribute to well drained conditions on the exploration area.

1.6 FISH

As previously discussed in Section 5.3, the main bodies of water within the exploration area are Moose Creek, Wishbone Lake, and Eska Creek. Species of fish found in these waters include coho and chinook salmon, Dolly Varden, and rainbow trout. Chum salmon are not known to

spawn in the Creeks but have been seen holding in the mouth of the streams during their migration up the Matanuska River.

Fishing for chinook salmon is prohibited in Moose Creek and the numbers of other salmon species are too low to provide significant fishing opportunity. Sport fishing is primarily limited to catches of Dolly Varden .

Wishbone Lake is a popular fishery and is stocked annually with fingerling rainbow trout. It is currently regulated as a catch-and-release, fly fishing only area. The intent of the restrictions is to establish a high quality trophy fish area for use by a particular segment of the angling community.

1.7 WILDLIFE

Large mammals that are likely to occur within the exploration area include moose, brown bear, and black bear. Moose are clearly the most important species from the standpoint of human utilization. They also play a significant role in predator-prey relationships of species requiring large land areas for a habitat base. Black bears are very common throughout south central Alaska and are tied closely to forested areas. Brown bears are very common in portions of the bordering Talkeetna Mountains.

Fur bearers potentially occurring within the exploration area include wolf, wolverine, fox, coyote, lynx, marten, mink, beaver, land otter, and weasels. Of these, wolves, wolverine, and coyote range widely in search of prey and would be expected to occasionally wander through the exploration area.

Upland game birds that may occur on the exploration area include spruce grouse, ruffed grouse, and willow ptarmigan. Spruce grouse are generally found in open spruce and aspen shrub stands while willow ptarmigan and ruffed grouse frequently utilize tall shrub cover.

1.8 ARCHAEOLOGY

In March 1989, a cultural resource survey and inventory report was completed on the permit areas associated with surface coal mining permit numbers 01-89-796 and 02-89-796. This study did not identify any previously unknown cultural resource sites and further determined that three known historic sites (Buffalo, Premier, and Baxter Mines) within the current exploration area no longer possessed any significant data. The State Historic Preservation Officer (SHPO) agreed with the findings of the study and granted clearance to proceed with development work.

Concerning those portions of the exploration area that are outside the approved cultural resource survey area, no activities are planned that would require clearance from the SHPO.

1.9 THREATENED AND ENDANGERED SPECIES

Vegetation studies that have been conducted within and adjacent to the exploration area have not identified any threatened and endangered species on the Federal list. Past disturbance and the commonness of the vegetation types would make the possibility of finding any threatened or endangered species very low. The State of Alaska does not list plant species.

During previous aquatic baseline surveys of Moose and Buffalo Creeks, no threatened or endangered fish species were encountered. The Alaska Department of Fish & Game is not aware of any endangered fish in the streams on the exploration area.

The Federal list of threatened and endangered bird species includes: American peregrine falcon, Aleutian Canada goose, Short-tailed albatross, Eskimo curlew, Spectacled eider, and Steller's eider. Of these, the Eskimo curlew and Short-tailed albatross are on the Alaska State endangered species list. The American peregrine falcon, Aleutian Canada goose, and Spectacled eider are classified by the State as "species of special concern". Based on previous studies, the only species that may pass through the area is the American peregrine falcon.

1.10 LAND USE

Land uses that occurred within the exploration area between 1900 and 1970 were largely related to coal development. The first underground mine was developed near the western portion of the exploration area in 1916. As mining operations expanded in the vicinity of the eastern portion of the exploration area, the towns of Jonesville and Sutton resulted. Although there are no active coal mines or occupied structures within the exploration area today, there is still continued interest in exploration and coal mine development.

As land use plans developed, the state legislature designated a portion of the lower Matanuska Valley as the Matanuska Valley Moose Range (MVMR). This legislatively designated area was established in 1984 to “maintain, improve, and enhance moose populations and habitat and other wildlife resources of the area and to perpetuate public multiple use of the area including fishing, grazing, forest management, hunting, trapping, mineral and coal entry development, and other forms of public use”. The entire exploration area is situated within the boundaries of the MVMR.

Most of the exploration area is within state-owned public land that is either in an undisturbed natural condition or has been disturbed by past coal mining or more recent logging activities. Public access is available to the area by state-maintained roads including the Buffalo Mine Road in the west and the Jonesville Road in the east. Current land uses include commercial timber harvesting, personal use firewood cutting, Christmas tree cutting, coal exploration and development work, mined land reclamation, and recreational activities.

PART D – EXPLORATION AND RECLAMATION METHODS

1.0 METHODS AND PROCEDURES FOR EXPLORATION AND RECLAMATION

Coal exploration work will be performed to 1) better define the complex geology, 2) find additional recoverable coal reserves, 3) define surface mineable reserve areas, and 4) better understand the chemical and physical characteristics of the coal. The information obtained from the exploration programs will ultimately be used to determine the feasibility of developing the coal resources within the exploration area. Since geology is not an exact science, the scope of work for the exploration activities may vary and will be refined as data is collected and evaluated. The types of activities and methods that will be used to complete the exploration work are outlined in the following sections.

1.1 ACCESS

The Glenn Highway, a major year-round asphalt road connecting the Anchorage/Palmer Highway with the Richardson Highway, passes approximately 2 to 3 miles south of the exploration area. Access to the western portion of the area will be provided by constructing a pioneer road along the corridor of the proposed mine access road that was authorized under surface mining permit numbers 01-89-796 and 02-89-796 (see Figure 1, Exploration Area). In the eastern portion of the area, the Jonesville Road provides access and connects with the Glenn Highway at the town of Sutton.

Access within the exploration area itself is provided by a rather extensive network of roads and trails that resulted from past mining and exploration work, forestry activities, and recreational uses. In certain segments of these roads, minor grading may need to be performed to eliminate ruts and provide adequate drainage. Encroaching vegetation may have to be trimmed in other segments to allow safe passage.

In areas where no access is available, existing trails will be extended to reach the desired locations. A small dozer will be used to clear a path approximately 8 to 10 feet wide. Wherever possible, the vegetative root mat will be left in place to enhance the rapid reestablishment of native vegetation. The alignment will attempt to avoid large trees and other obstructions. If

steeper hillsides are encountered, the trails will follow the contour wherever possible. No stream crossings will be required.

1.2 TYPES OF ACTIVITIES

The exploration program will involve two categories of activities: 1) activities that will not substantially disturb the land surface (11 AAC 90.161) and 2) activities that will substantially disturb the land surface (11 AAC 90.163). Specific activities that are being proposed under each of these categories are outlined below.

ACTIVITIES NOT SUBSTANTIALLY DISTURBING THE LAND SURFACE

- Geologic Mapping
- Use of existing trails/roads

ACTIVITIES SUBSTANTIALLY DISTURBING THE LAND SURFACE

- Access Trails
- Drill Sites
- Exploration Drilling
- Installation of Monitoring Wells
- Trenching

1.3 METHODS

1.3.1 Activities Not Substantially Disturbing the Land Surface

GEOLOGIC MAPPING – The surficial and structural geology of the exploration area may be mapped in the field using aerial photographs and topographic maps. Coal seam outcrops or other exposed geologic features identified during the mapping may be surveyed to provide more precise locations. Vehicular travel will be limited to existing roads and trails. Most of the mapping and survey work will be done on foot.

1.3.2 Activities Substantially Disturbing the Land Surface

ACCESS TRAILS – The methods for constructing access trails within the exploration area were previously discussed in Section 1.1. During the initial two-year term of the permit approximately 1.5 miles of new access trail may be constructed for exploration purposes.

DRILL SITES – Wherever possible, drill sites will be located on relatively flat terrain to avoid having to excavate a level area for the drilling equipment. Excess vegetation will be removed to provide an adequate working area. If leveling is required, a small dozer will be used to excavate a useable area. If possible, the vegetative root mat will be left in place on portions of the site to enhance the rapid reestablishment of native vegetation. Normally, an area approximately 50 feet long by 40 feet wide is required to set up the drilling equipment. However, the actual size of the area may vary depending upon the type of equipment that is used.

EXPLORATION DRILLING – To achieve the objectives outlined in Section 1.0, drill holes will be completed at a number of locations within the exploration area. During the first 2-year permit term, an estimated 10 to 20 holes may be drilled. The drilling equipment for the exploration work will be similar to that used for the construction of domestic water wells. In addition to the drill rig, equipment may include an air compressor, carrier with drill pipe and support tools, water tank carrier, and a pickup truck.

In most cases, the maximum diameter of the drill holes will be 6 inches. Depths will vary based on the location and intended objective of each hole. In areas where surficial gravels or previously mined overburden occur, the hole may be cased with steel pipe from the surface down to bedrock. This step may be necessary to keep the drill hole open. At some of the drill sites, a nontoxic biodegradable drilling mud or foaming agent may be used to stabilize the walls of the hole and increase circulation. The relatively small quantity of water required for the drilling activities will be obtained under a Temporary Water Use Permit from the DMLW. Water use could range between 4,000 to 6,000 gallons per day.

Several different methods will be used to collect geologic data from each drill hole. As the drill rig produces cuttings, a field geologist will physically describe the material and manually produce a geologic log of the hole. The drilling activities will be continuously monitored by the

geologist and any unusual conditions will be noted on the log. After drilling has been completed, the hole may be geophysically logged if adverse down-hole problems were not encountered. Log data may include resistivity, gamma, density, and caliper. Personnel handling the logging equipment will be properly licensed.

In order to evaluate the physical and geochemical characteristics of the coal groups and lithotypes in each hole, samples of cuttings from selected intervals may be collected and sent to a laboratory for analyses. As an alternative to using cuttings, a drill rig may be used to retrieve samples of core from selected holes.

Upon completion of the drilling work, each drill hole will be surveyed to provide accurate locations. In addition to coordinates, the surface elevation of each drill hole will also be determined.

INSTALLATION OF MONITORING WELLS – In order to acquire data on the groundwater resources within the exploration area, some of the drill holes may be developed into groundwater monitoring wells. Actual well designs will be determined on site after a thorough review of the geologic and geophysical logs. Standard well installation procedures will be used to make certain that accurate and reliable monitoring data are collected.

TRENCHING – The majority of the surface mineable coal seams in the western portion of the exploration area are masked by Quaternary glacial deposits. Bedrock exposures are predominantly limited to those within abandoned surface mining pits. Because of the limited bedrock exposures, the majority of stratigraphic knowledge, gained to date, has been obtained through exploration drilling and some trenching work.

To more accurately understand the stratigraphy and physical and chemical properties of the coal seams within the western portion of the exploration area, existing trenches may be reopened or new trenches excavated. The trenches will be (or have been) located within that portion of the permit area, for Mine Permit No. 01-89-796, that lies within the exploration area (see Figure 1, Exploration Area). Under Mine Permit No. 01-89-796, plans for proposed surface coal mining

operations have been approved and permitted by the DMLW. During the 2-year term of the exploration permit, there is a possibility that three additional trench excavations may be completed.

It is estimated that each trench may disturb an area roughly 250 feet long by 250 feet wide. After removal of the vegetation, any salvageable topsoil will be pushed to one side with a dozer to segregate the material from excavated overburden. A backhoe will dig the trench to a depth of 25 to 30 feet and place the overburden material on each side of the trench. It is currently assumed that the trenches can be excavated without the use of explosives. However, if the backhoe can not efficiently remove the material, small scale blasting procedures may be required. If this occurs, the DMLW will be notified in advance of the blasting work and given a description of the planned procedures. As a courtesy to the local community, the Buffalo/Soapstone Community Council will also be notified if blasting is required.

The length of the trenches may vary and could be in the range of 250 feet. The floor of the trench will be approximately 5 feet wide. Trench wall design will vary according to the type of material that is encountered and may include safety benches. If 1:1 slopes are used, a trench 30 feet deep will be approximately 65 feet wide at the surface. The same trench with 1.5:1 slopes would have a top width of approximately 95 feet.

During the excavation work, appropriate erosion control measures will be used to make certain that excessive sediment is not transported off site. Control measures may include ditching and/or hay bales in required areas.

After the coal seam has been exposed, a geologist will map the sections and collect bag samples for laboratory analyses and a larger bulk sample for washability studies. Upon completion of the work, the trench will be backfilled and reclaimed in accordance with the procedures outlined in Section 1.5.

1.4 COAL REMOVAL

Small amounts of coal may be taken from core samples and/or cuttings for quality analyses. In addition, a bulk sample of coal, ranging in size from 2 to 5 tons, may be removed from the trenches discussed above. This larger sample will be used for washability testing and laboratory analyses.

1.5 RECLAMATION PROCEDURES

Reclamation will be an integral part of the exploration program and will be implemented in a contemporaneous manner. The following sections describe the procedures that will be used to reclaim the disturbances resulting from the exploration activities.

1.5.1 Drill Hole Plugging

When a drill hole has been completed or a monitoring well is no longer needed, the surface casing (if present) will be cut off approximately three feet below the ground surface. The hole will be filled with dry cuttings or sand to within 12 feet of the surface. A mixture of 20% bentonite, 20% dry cement, and 60 % cuttings or sand will be used to fill the next 10 feet of hole. The top 2 feet will be filled with topsoil or overburden material. While filling the last 12 feet, a 4"x 4" x 4' piece of treated lumber will be placed in the hole to permanently mark the location. The post will be positioned so that 1 foot protrudes above the surface. If the drill hole is situated in an access trail or roadway, the drill hole marker will be left flush with the ground surface.

1.5.2 Removal of Facilities and Equipment

Upon completion of the exploration activities, all equipment and supplies will be removed from the exploration area. No permanent or temporary field camps will be used. A conscientious effort will be made to avoid any littering and to clean up each site after drilling is completed.

1.5.3 Backfilling and Grading

In areas where excavating work was done, a small dozer will be used to backfill and regrade the site. Subsoil materials will be placed in the deepest portion of the excavations. The surface will be dressed with topsoil and graded to blend with the surrounding topography. If necessary, water bars or ditches may be established to provide adequate drainage.

It may be necessary to leave the trenches open for several years for annual studies. If this occurs, drainage from the disturbed area at each site will be directed into the trench. The disturbed area, including the slopes of the overburden and topsoil piles, will be fertilized and seeded to prevent excess erosion. A reclamation bond will be held for each trench site by the DMLW and will not be released until final reclamation is completed.

On any trenches left open, the excavated overburden material will essentially form a safety berm around the entire perimeter of the trench. The walls of the trench will be appropriately graded to provide public safety.

1.5.4 Revegetation

A 20/20/10 fertilizer will be applied to the graded areas with a manually operated spreader at a rate of 300 pounds per acre. Next a seed mixture containing 50% Arctared red fescue and 50% Nortran tufted hairgrass will be manually broadcasted at a rate of 30 pounds per acre. If Nortran is not available, then either Norcoast Bering hairgrass or Nugget bluegrass will be used instead. All disturbed areas will be fertilized and seeded to ensure optimum revegetation.

1.6 TIME FRAME

Pursuant to 11 AAC 90.165, the initial permit term will be two years. During each year, exploration activities may start as early as April 1 and extend through the end of November.

1.7 RECLAMATION COST ESTIMATE

There will be reclamation costs associated with the trail extensions, drill pads, trenches, and drill holes. The pioneer road extending from the Glenn Highway to the exploration area has been previously permitted and bonded under surface mining permits 01-89-796 and 01-89-796. Over the 2-year permit term it is estimated that a maximum of 1.5 miles of trail extensions will be required to complete approximately 20 drill holes. The disturbance area for a drill pad and a sample trench will be approximately 0.046 acres and 1.43 acres, respectively. Approximately 6,000 cubic yards of dirt may be removed from each trench.

Rates for specific reclamation activities are as follows:

- Hole Plugging - \$1.00 per foot
- Backfilling and Grading Trails and Pads - \$280.00 per acre
- Backfilling Trenches - \$0.45 per cubic yard
- Fertilizing and Seeding - \$725.00 per acre

For cost estimation, it is assumed that 50% of the trail extensions will require some grading work and drill hole depths will average 300 feet.

Based on the criteria outlined above, the following costs are assumed:

HOLE PLUGGING

300 ft/hole x \$1.00/ft x 20 holes \$6,000

BACKFILLING AND GRADING

Trail – 3960ft long x 10ft wide ÷ 43560ft²/Acre x \$280/Acre.....\$255

Drill Pads – 0.046 Acres/Pad x 20 Pads x \$280/Acre.....\$258

Trenches – 6,000yd³/Trench x 3 Trenches x \$0.45/yd³\$8,100

FERTILIZING AND SEEDING

Trail – 0.91Acres x \$725/Acre.....\$660

Drill Pads – 0.92Acres x \$725/Acre\$667

Trenches – 4.3Acres x \$725/Acre.....\$3,118

PROJECTED RECLAMATION COST FOR NEXT 2-YEAR PERMIT TERM \$19,058

As shown on Table 1 below, the actual reclamation liability under Coal Exploration Permit No. 01-86-795 is currently at \$19,658. With the projected reclamation costs for the next 2-year permit term, the total liability under the permit will be at \$38,716. A bond in the amount of \$29,293 is currently posted with the DMLW. Upon approval of this permit renewal application,

UCM will post an additional \$10,000 bond bringing the total bond amount to \$39,293. This will leave an excess bond amount of \$577.

TABLE 1
BONDING SUMMARY FOR COAL EXPLORATION PERMIT 01-86-795

	Actual Liability	Total Liability	Bond Posted /Released	Total Bond	Excess Bond
<u>OUTSTANDING RECLAMATION LIABILITY</u>					
<i>Weather Station</i>					
Removal of Fence and Generator Shack	\$300				
<i>Revegetation Test Plots</i>					
Removal of Fences	\$600				
<i>Groundwater Monitoring Wells</i>					
Hole Plugging - 37 Wells x \$300/Well	\$11,100				
Total	\$12,000	\$12,000	\$19,380	\$19,380	\$7,380
<u>1998 DRILLING PROGRAM</u>					
<i>Hole Plugging & Capping</i>					
8 Holes x \$300/Hole	\$2,400				
<i>Grading</i>					
1 Day @ \$750/Day	\$750				
<i>Fertilizing & Seeding</i>					
0.47Acres x \$550/Acre	\$260				
Total	\$3,410	\$15,410	\$0	\$19,380	\$3,970
<u>1999 TRENCHING PROGRAM</u>					
<i>Backfilling & Grading</i>					
6,000 yd ³ /Trench x 3 Trenches x \$0.30/yd ³	\$5,400				
<i>Fertilizing & Seeding</i>					
4.3 Acres x \$525/Acre	\$2,258				
Total	\$7,658	\$23,068	\$13,323	\$32,703	\$9,635
<u>APRIL 15, 2002 PERMIT RENEWAL</u>					
Bond Released for 1998 Drilling Program	(\$3,410)	\$19,658	(\$3,410)	\$29,293	\$9,635

1.8 REPORTING

An annual report will be submitted to the DMLW by January 31st each year. This report will discuss the types of exploration activities performed during the previous year and will include a map depicting the location of any new access trails, completed drill holes, and exploration trench sites.

PART E – EXPLORATION ON LANDS UNSUITABLE FOR MINING

1.0 AREAS UNSUITABLE FOR MINING

No lands within the exploration area are designated, or under study for designation, as unsuitable for mining.