

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Serial Number

NM 28093

COAL LEASE

This lease is entered into on March 20, 1980, by the United States of America, the lessor, through the Bureau of Land Management, and

Western Coal Company  
P. O. Box 1026  
Albuquerque, New Mexico 87103

MAR 6 11:50 AM  
STATE OFFICE  
SANTA FE, N.M.

and shall become effective on April 1, 1980, (effective date).

Sec. 1. STATUTES AND REGULATIONS - This lease is issued pursuant and subject to the terms and provisions of the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Sections 181-263, hereafter referred to as the Act. This lease is also subject to all regulations of the Secretary of the Interior (including, but not limited to, 30 CFR Part 211 and 43 CFR Group 3000) which are now or hereafter in force and which are made a part hereof, except that no amendment to the regulations made subsequent to the effective date of this lease shall alter the rental and production royalty requirements in Section 5 and 6 of this lease. (Continued on Page 3)

WITNESSETH:

Sec. 2. RIGHTS OF LESSEE - The lessor, in consideration of the bonus, rents, and royalties and other conditions hereinafter set forth hereby grants and leases to the lessee the exclusive right and privilege to mine and dispose of all coal reserves recoverable by underground mining methods from the Upper Cretaceous Fruitland formation in the upper and lower underground mineable beds in the following described land situated in the State of New Mexico:

New Mexico Principal Meridian, New Mexico

T. 30 N., R. 15 W.

Sec. 13: S $\frac{1}{4}$   
Sec. 14: S $\frac{1}{4}$   
Sec. 23: All  
Sec. 24: All  
Sec. 25: All  
Sec. 26: All  
Sec. 35: Lots 1,2,3,4, N $\frac{1}{4}$ , N $\frac{1}{2}$ S $\frac{1}{4}$

BEFORE THE  
OIL CONSERVATION COMMISSION

Case No. 12734

Exhibit #

A-5-1

Submitted By: Richardson Oper. Co.

Hearing Date: October 28 & 30, 2002

containing 3,855.60 acres, more or less, together with the right to construct all works, buildings, structures, equipment, and appliances which may be necessary and convenient for the mining and preparation of the coal for market, and, subject to the conditions herein provided, to use so much of the surface as may reasonably be required in the exercise of the rights and privileges herein granted for a period of 20 years and so long thereafter as the condition of continued operation is met.

Sec. 3. DILIGENCE - The lessee shall engage in the diligent development of the coal resources subject to the lease. After diligent development is achieved, the lessee shall maintain continued operation of the mine or mines on the leased lands. The terms diligent development and continued operation are defined in the regulations.

Sec. 4. BOND - The lessee shall file with the appropriate Bureau of Land Management office a lease bond in the amount of \$ 10,000.00 for the use and benefit of the United States, to insure payment of rentals and royalties and to insure compliance with all other terms of this lease, the regulations and the Act.

An increase in the amount of the lease bond may be required by the lessor at any

time during the life of the lease to reflect changed conditions.

Sec. 5. RENTAL - An annual rental of \$3.00 for each acre or fraction thereof shall be paid in advance on or before the anniversary date of this lease. The anniversary date is the anniversary of the effective date of this lease.

Sec. 6. PRODUCTION ROYALTY - The lessee shall pay a production royalty of 8 percent of the value of coal produced by underground mining methods.

The value of coal shall be determined as set forth in the regulations.

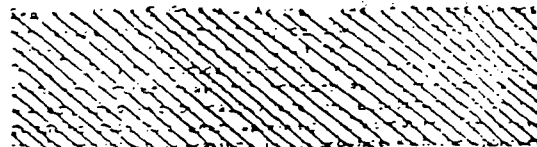
a previous month. However, production royalties payable after the 20th year of the lease shall not be reduced by advance royalties paid during the first 20 years of the lease. Production royalties shall be payable the first day of the month succeeding the calendar month in which the coal is mined.

Sec. 7. ADVANCE ROYALTY - Upon request by the lessee the mining supervisor may accept, for a total of not more than 10 years, the payment of advance royalties in lieu of the condition of continued operation for any particular year. Any payment of advance royalties in lieu of continued operation shall be pursuant to an agreement, signed by the lessee and lessor, which shall be made a part of this lease. The agreement shall include a schedule of payments and shall be subject to the advance royalty conditions set forth in the regulations. (Continued on Page 3)

Sec. 8. METHOD OF PAYMENTS - The lessee shall make rental payments to the appropriate Bureau of Land Management office until either production royalties or advance royalties become payable. Thereafter, all rentals, production royalties and advance royalties shall be paid to the mining supervisor. All remittances to Bureau of Land Management shall be made payable to the Bureau of Land Management, those to the Geological Survey shall be made payable to the United States Geological Survey.

Sec. 9. EXPLANATION PLAN - As specified in the regulations, the lessee shall submit

Application of Richardson Operating  
Co.  
Record on Appeal, 711.



(See Page 4)

Sec. 11. LOGICAL MINING UNITS (LMU) - This lease is automatically considered to be an (LMU) and may be combined with other land, including other Federal leaseholds and non-Federal interests in coal, to form a larger (LMU). The mining plan for the (LMU) must include a production schedule that provides for the mining of all the (LMU) reserves, both Federal and non-Federal, within 40 years from the date of the approval of the plan. The definition of (LMU) and (LMU) reserves and other conditions applicable to them are set forth in the regulations.

Sec. 12. OPERATIONS ON LEASED LANDS - In accordance with the conditions of this lease, the exploration and mining plans, the regulations and the Act, the lessee shall exercise reasonable diligence, skill, and care in all operations on the leased lands. The lessee's obligations shall include, but not be limited to, the following:

(a) The lessee shall conduct all operations on the leased lands so as to avoid injury to life, health, or property;

(b) The lessee shall conduct operations in such a manner as may be needed to avoid or, where avoidance is impracticable, to minimize and, where practicable, to repair damage to: (i) any forage and timber growth on Federal or non-Federal lands in the vicinity of the leased lands, (ii) crops, including forage and timber, or improvements of a surface owner; or (iii) improvements, whether owned by the United States or by its permittees, licensees, or lessees. The lessee must approve the steps to be taken and the restoration to be made in the event of the occurrence of damage described in this subsection.

(c) The lessee shall minimize to the maximum extent possible wasting of the mineral deposits and other resources, including, but not limited to, surface resources which may be found in, upon, or under such lands. (See 30 CFR 700 & 800)

Sec. 13. CULTURAL RESOURCES - (a) Before the approval of a mining plan, the authorized official shall require the lessee to submit a report on the cultural resources of the leased lands and to provide for the protection of such resources. The report shall be prepared by a qualified professional archaeologist, approved by the authorized official, and a copy of the report shall be submitted to the authorized official for approval of an exploration or mining plan or for approval of lease operations. The report shall be prepared to protect the historical, cultural, and archeological values of the leased lands and to provide for the protection of such resources. The report shall be prepared as a result of the survey shall be made of the leased lands and the features of historical and archeological interest shall be identified and recorded in the report.

(b) If an item or feature of historical, cultural, or archeological value is discovered during lease operations, the lessee shall immediately notify the authorized official and shall take such steps as may be necessary to protect such item or feature. The lessee shall also take such steps as may be necessary to protect such item or feature from damage or destruction. The lessee shall also take such steps as may be necessary to protect such item or feature from damage or destruction.

Sec. 14. AUTHORIZATION OF OTHER USES AND DISPOSITION OF LEASED LANDS - (a) The lessee reserves the right to authorize other uses of the leased lands by regulation or by issuing, in addition to this lease, leases, licenses, permits, easements, or rights-of-way, including leases for the development of minerals other than coal under the Act. The lessee may authorize any other uses of the leased lands that do not unreasonably interfere with the exploration and mining operations of the lessee, and the lessee shall make all reasonable efforts to avoid interference with such authorized uses.

(b) The lessee reserves the right: (i) to sell or otherwise dispose of the surface of the leased lands under existing law or laws hereafter enacted insofar as said surface is not necessary for the use of the lessee in the extraction and removal of the coal therein; or (ii) to dispose of any resource in such lands if such disposal will not unreasonably interfere with the exploration and mining operations of the lessee.

(c) If the leased lands have been or shall hereafter be disposed of under laws reserving to the United States the deposits of coal therein, the lessee shall comply with all conditions as are or may hereafter be provided by the laws and regulations reserving such coal.

Sec. 15. EQUAL OPPORTUNITY CLAUSE - During the performance of this lease, lessee agrees to comply with the following:

(a) Lessee will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. Lessee will take affirmative action to ensure that applicants are evaluated on the basis of their qualifications.

the hired during employment. - This refers to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: employment upgrading, promotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Lessee agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the lessor setting forth the provisions of this Equal Opportunity clause.

(b) Lessee will, in all solicitations or advertisements for employees placed by or on behalf of the lessee, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Lessee will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the lessor, advising the labor union or workers' representative of the lessee's commitments under this Equal Opportunity clause, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) Lessee will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, as amended, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the Secretary of the Interior and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(f) In the event of the lessee's noncompliance with the Equal Opportunity clause of this contract or with any of the said rules, regulations, or orders, this lease may be cancelled, terminated or suspended in whole or in part and the lessee may be declared ineligible for further Government contracts or leases in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, as amended, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, as amended, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) Lessee will include the provisions of paragraphs (a) through (g) of this section 15 in every contract, subcontract, or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, as amended, so that such provisions will be binding upon each contractor, subcontractor, or vendor. Lessee will take such action with respect to any contract, subcontract, or purchase order as the Secretary of the Interior may direct as a means of enforcing such provisions including sanctions for noncompliance. Provided, however, that in the event the lessee becomes involved in, or is threatened with, litigation with a contractor, subcontractor, or vendor as a result of such direction by the Secretary of the Interior, the lessee may request the United States to enter into such litigation to protect the interests of the United States.

Sec. 16. CERTIFICATION OF NONSEGREGATED FACILITIES - By entering into this lease, the lessee certifies that he does not and will not maintain or provide for his employees any segregated facilities at any of his establishments, and that he does not and will not permit his employees to perform their services at any location under his control where segregated facilities are maintained. The lessee agrees that a breach of this certification is a violation of the Equal Opportunity clause of this lease. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. Lessee further agrees that (except where lessee has obtained identical certifications from proposed contractors and subcontractors for specific time periods) lessee will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity clause, that lessee will retain such certifications in lessee's files; and that lessee will forward the following notice to such proposed contractors and subcontractors (except where proposed contractor or subcontractor has submitted identical certifications for specific time periods): Notice to prospective contractors and subcontractors of requirement for certification of nonsegregated facilities. A Certification of Nonsegregated Facilities, as required by the May 9, 1967 order (32 F.R. 7439, May 19, 1967) on Elimination of Segregated Facilities, by the Secretary of Labor, must be submitted prior to the award of a contract exceeding \$10,000 which is not exempt from the provisions of the Equal Opportunity clause. Certification may be submitted either for each contract and subcontract or for all contracts and subcontracts during a period (i.e., quarterly, semiannually, or annually).

Sec. 17. EMPLOYMENT PRACTICES - The lessee shall pay all wages due persons employed on the leased lands at least twice each month in lawful money of the United States. The lessee shall permit all miners and other employees complete freedom to purchase goods and service of their own choice. The lessee shall restrict the workday to not more than 8 hours in any one day for underground work, except in case of emergency. The lessee shall employ no person under the age of 16 years in any mine below the surface.

face. If the laws of the State in which the mine is situated prohibit the employment, in a mine below the surface, of persons of an age greater than 16 years, the lessee shall comply with those laws.

**Sec. 18. MONOPOLY AND FAIR PRACTICES** - The lessor reserves full authority to promulgate and enforce orders and regulations under the provisions of Sections 30 and 32 of the Act (30 U.S.C. Sections 187 and 189) necessary to insure that any sale of the production from the leased lands to the United States or to the public is at reasonable prices, to prevent monopoly, and to safeguard the public welfare, and such regulations shall upon promulgation be binding upon the lessee.

**Sec. 19. ASSIGNMENT** - This lease may be assigned, upon approval of the authorized officer, in accordance with the provisions of 43 CFR Subpart 3453. An assignment will become effective on the first day of the month following approval by the authorized officer or, if the assignee requests, the first day of the month of the approval.

**Sec. 20. RELINQUISHMENT OF LEASE** - The lessee may file a request to relinquish all or any legal subdivision of this lease. The request shall be filed in duplicate with the authorized officer. The authorized officer shall approve the relinquishment if he determines that the lessee has complied with the requirements of the lease, the exploration and mining plans, the regulations and the Act. Upon approval, the relinquishment shall be effective as of the date it is filed, subject to the continued obligation of the lessee and his surety to pay all accrued rentals and royalties and to comply with all other requirements of the lease, the regulations, the exploration and mining plans, the regulations and the Act.

**Sec. 21. NONCOMPLIANCE** - Any failure to comply with the conditions of this lease, the exploration and mining plans, the regulations, or the Act shall be dealt with in accordance with the procedures set forth in the regulations.

**Sec. 22. WAIVER OF CONDITIONS** - The lessor reserves the right to waive any breach of the conditions contained in this lease, except the breach of such conditions as are required by the Act, but any such waiver shall extend only to the particular breach so waived and shall not limit the rights of the lessor with respect to any future breach, nor shall the waiver of a particular breach prevent cancellation of this lease for any other cause, or for the same cause occurring at another time.

**Sec. 23. READJUSTMENT OF TERMS AND CONDITIONS** - (a) The lessor may propose the reasonable readjustment of any conditions of this lease, including royalty rates, the first readjustment to be effective on the 20th year after the effective date and subsequent readjustments to be effective at 10-year intervals thereafter. The lessor shall notify the lessee whether he intends to readjust conditions and, if he intends to readjust, the nature of the readjustments. If it is feasible, the lessor shall give such notice 120 days before the effective date of the readjustment.

Unless the lessee, within 60 days after the receipt of the proposed readjusted conditions, files with the lessor an objection thereto or relinquishes the lease, the lessee shall be deemed conclusively to have agreed to such conditions.

(b) If the lessee files objections to the proposed readjusted conditions with the lessor, and agreement cannot be reached between the lessor and the lessee within a period of 60 days after the filing of the objection, the lease may be terminated by either party upon giving 30 days' notice to the other party; however, the lessor's right to terminate the lease shall be suspended by the lessee's filing of a notice of appeal pursuant to section 19 of this lease, and if the lessee is ultimately successful in his appeal, the lease shall continue without the change in the provisions, the imposition of which, the lessee appealed. If the lessee is unsuccessful in his appeal and within 30 days of the decision on appeal notifies the lessor that he accepts the decision rendered upon such appeal, then the lease shall continue as amended by the decision.

**Sec. 1 (Continued)** - This lease is also subject to all regulations of the Secretary of Energy promulgated pursuant to section 302 of the Department of Energy Organization Act which are now or hereafter in force and which are made a part hereof, except that no amendment to the regulations made subsequent to the effective date of this lease shall alter the rental and production royalty requirements in Sections 3 and 6 of this lease. The lease is also subject to the Surface Mining Control and Reclamation Act of 1977 and to the regulations promulgated thereunder (30 CFR 700 and 800).

**Sec. 7 (Continued)** - The advance royalty shall be based on a percent, as specified in this lease, of the value of a minimum number of tons which shall be determined on a schedule sufficient to exhaust the leased reserves in 40 years from the date of approval of the mining and reclamation plan.

(c) If the lessee files objections to the proposed readjusted conditions, the existing conditions, except those concerning royalties, shall remain in effect until there has been an agreement between the lessor and the lessee on the new conditions to be incorporated in the lease, or until the lessee has exhausted his rights of appeal under section 19 of this lease, or until the lease is terminated; however, the readjusted royalty provisions shall be effective until there is either agreement between the lessor and the lessee or until the lease is terminated. If the readjusted royalty provisions are subsequently rescinded or amended, the lessee shall be permitted to credit any excess royalty payments against royalties subsequently due to the lessor.

**Sec. 24. DELIVERY OF PREMISES** - Upon termination of this lease for any reason, or relinquishment of a part of this lease, the lessee shall deliver to the lessor in good order and condition all or the appropriate part of leased lands. Delivery of the leased lands shall include underground timbering and such other supports and structures as are necessary for the preservation of the mine or deposit, and shall be in accordance with all other applicable provisions of the regulations for the completion of operations and abandonment.

**Sec. 25. PROPRIETARY INFORMATION** - Geological and geophysical data and information, including maps, trace secrets, and commercial and financial information which the lessor obtains from the lessee shall be treated in accordance with 43 CFR Part 2, and other applicable regulations.

**Sec. 26. LESSEE'S LIABILITY TO LESSOR** - (a) The lessee shall be liable to the United States for any damage suffered by the United States in any way arising from or connected with the lessee's activities and operations under this lease, except where damage is caused by employees of the United States acting within the scope of their authority.

(b) The lessee shall indemnify and hold harmless the United States from any and all claims arising from or connected with the lessee's activities and operations under this lease.

(c) In any case where liability without fault is imposed on the lessee pursuant to this section, and the damages involved were caused by the action of a third party, the rules of subrogation shall apply in accordance with the law of the jurisdiction where the damages occurred.

**Sec. 27. INSPECTIONS AND INVESTIGATIONS** - (a) All books and records maintained by the lessee showing information required by this lease or regulations must be kept current and in such manner that the books and records can be readily checked, upon request,

at the place where they are customarily maintained.

(b) The lessee shall permit any duly authorized officer or representative of the lessee at any reasonable time (1) to inspect or investigate the leased lands and all surface and underground improvements, works, machinery, and equipment, and all books and records pertaining to the lessee's obligations to the lessor under this lease and regulations and (2) copy and make extracts from any such books and records.

**Sec. 28. UNLAWFUL INTEREST** - No member of, or Delegate to, Congress, or Resident Commissioner, after his election or appointment, either before or after he has qualified and during his continuance in office, and no officer, or employee of the Department of the Interior, except as provided in 43 CFR 7.4(a)(3), shall hold any share or part in this lease or derive any benefit therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. Section 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 16 U.S.C. Sections 431-433, relating to contracts, enter into and form a part of this lease insofar as they may be applicable.

**Sec. 29. APPEALS** - The lessee shall have the right to appeal (a) under 43 CFR 3100.4 from an action or decision of any official of the Bureau of Land Management (b) under 30 CFR Part 290 from an action, order, or decision of any official of the United States Geological Survey, or (c) under applicable regulation from any action or decision of any other official of the Department of the Interior arising in connection with this lease, including any action or decision pursuant to Section 23 of this lease with respect to the readjustment of conditions.

Sec. 10. MINING PLAN. In accordance with the regulations in 30 CFR 211, 700 and 600, the lessee shall submit a mining plan not more than three years after the effective date of this lease. Until the mining plan has been approved, the lessee shall not conduct any operations on the leased lands except casual use or, exploration if an exploration plan has been approved. Thereafter, the lessee shall conduct all operations in accordance with the approved mining plan.

Sec. 30. SPECIAL STATUTES. This lease is also subject to the provisions of the Federal Water Pollution Control Act (33 U.S.C. 1151-1175) and the Clean Air Act (42 U.S.C. 1857).

Sec. 31. SPECIAL STIPULATIONS.

The upper bed (where mineable) must be mined in advance of the lower bed. "Where mineable" will be determined by the Regional Mining Supervisor in accordance with the Regulation 30 CFR 211.32 and in the approved mining plan by the regulatory authority.

See additional stipulations attached and made a part hereof.

*Application of Richardson Operating  
Co.*

Record on Appeal, 720.

THE UNITED STATES OF AMERICA

By *Thomas R. [Signature]*  
(Signing Officer)

Acting Chief, Mining Section  
(Title)

WITNESS TO SIGNATURE OF LESSEE

March 20, 1980

(Date)

(Signature of Lessee)

WEDDING COAL CO.

*[Signature]*  
SECRETARY

*[Signature]*  
(Signature of Lessee)

SPECIAL STIPULATIONS

1. An intensive inventory of items or features of historical, cultural or archaeological value on those portions of the leased land subject to any surface disturbing activities or with an overburden thickness of less than 300 feet shall be conducted prior to approval of an exploration or mining plan by a holder of a valid Federal Antiquities permit and a report of the inventory shall be submitted to the Authorized Officer. If any significant items or features of historical, cultural, or archaeological value are discovered during the inventory, the exploration or mining plan shall state that any such items or features endangered by exploration, construction, mining or subsidence shall be mitigated prior to disturbance by a holder of a valid Federal Antiquities permit, and shall be approved by the Authorized Officer. The cost of the inventory and any mitigation measures shall be borne by the lessee and all items and features of historic, cultural or archaeological value shall remain under the jurisdiction of the United States.

If any items or features of cultural, historical, or archaeological value are discovered during lease operations, the lessee shall immediately notify the Mining Supervisor and shall not disturb such items or features until the Mining Supervisor issues instructions. If the lessee is ordered to take measures to protect any items or features of cultural, historical, or archaeological value discovered during lease operations the cost of the measures will be borne by the lessor and such items or features shall remain under the jurisdiction of the government.

2. Before approval of an exploration or mining plan, the lessee shall conduct an intensive paleontological inventory on all portion of the leased land subject to surface disturbance or with an overburden thickness of less than 300 feet. The inventory shall be conducted by a qualified paleontologist approved by the Authorized Officer. A report on the findings of the inventory shall be submitted to the Authorized Officer. If paleontological resources are found during the inventory and if such resources are determined to be significant by the Authorized Officer, the lessee shall either modify the application to protect these resources or develop a salvage plan which shall be made a part of the approved exploration or mining plan.

If any items or features of paleontological value are discovered during lease operations, the lessee shall immediately notify the Mining Supervisor and shall not disturb such items or features until the Mining Supervisor issues instructions. If the lessee is ordered to take measures to protect any items or features of paleontological value discovered during lease operations the cost of the measures will be borne by the lessor and such items or features shall remain under the jurisdiction of the government.

3. To meet Visual Resource Management Class IV requirements, surface structures must be painted to blend with the dominant color of the landscape in the immediate area, except where specific colors are recommended to meet safety requirements.
4. It shall be the responsibility of the lessee to design exploration, mining, and reclamation operations on the leased land in such a way that the functions and uses of any rights-of-way on the leased land will be protected. If damages or disruptions to the functions and uses of any of the rights-of-way occur as the result of activities related to coal exploration, mining, or reclamation the lessee shall assume all liability for such damages or disruptions.

RECEIVED  
'91 DEC 5 AM 10 14  
STATE LAND OFFICE  
SANTA FE, N. M.

NEW MEXICO STATE LAND OFFICE  
A M E N D E D  
COAL MINING LEASE

APPLICATION NO. MC-0087

LEASE NO. MC-0087

THIS AGREEMENT, dated this 15TH day of JULY, 1991, made and entered into between the STATE OF NEW MEXICO, acting by and through the undersigned, its COMMISSIONER OF PUBLIC LANDS, hereinafter called the "lessor", and:  
SAN JUAN COAL COMPANY  
P.O. BOX 561 WATERFLOW, NEW MEXICO 87421,  
hereinafter called the "lessee".

WITNESSETH:

WHEREAS, lessee has filed in the State Land Office an application for a coal lease for the purpose of exploring for, mining, developing and producing coal upon the lands hereinafter described, and has tendered THREE THOUSAND TWO HUNDRED FIFTY-FIVE AND 00/100-- DOLLARS (\$3,255.00), for the first annual rental payment, together with one hundred dollars (\$100.00) application fee, and N/A dollars (\$N/A), for a bonus;

NOW THEREFORE, in consideration of the above tender, receipt of which is acknowledged, and the COVENANTS herein, lessor hereby grants, and leases to lessee, exclusively, for the sole and only purpose of exploring for, mining, developing, producing and removing coal in, upon or under the following described lands in SAN JUAN County, New Mexico:

INST	SEC	TWP	RGE	SUBDIVISION	ACRES
C.S.	32	30N 14W		LOTS 1(43.27), 2(42.89), 3(42.51), 4(42.13), N2, N2S2	650.80

together with the right to use so much of the surface as is reasonably necessary to explore for, mine, develop, produce and remove the coal.

8/23/89

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BEFORE THE  
OIL CONSERVATION COMMISSION  
Case No. 12734  
Exhibit # A-5-2  
Submitted By: Richardson Oper. Co.  
Hearing Date: October 28 & 30, 2002

Application of Richardson Operating  
Co.  
Record on Appeal, 717.

TO HAVE AND TO HOLD the said lands and privileges granted hereunder for a primary term of five years.

IN CONSIDERATION OF THE PREMISES, THE PARTIES COVENANT AND AGREE AS FOLLOWS:

1. As royalty, lessee shall pay to lessor twelve and one-half percent of the proceeds received from the sale of all surface-mined coal or, at the option of the lessor, the market value thereof, and eight percent of the proceeds received from the sale of all underground-mined coal or, at the option of the lessor, the market value thereof. The royalty rate may be reduced by the lessor upon a showing by the lessee that the leases for non-state coal in the same logical mining unit provide for a lower rate or that the lands leased hereunder will be bypassed and not mined without a rate reduction. Such royalty is due in full on the last day of the month following the calendar month of sale and shall be reported to the lessor, together with such other information as may be required by the lessor, upon forms prescribed by the lessor. In the event of a dispute as to the amount of royalty due, the lessee shall assume the burden of proof in any court action arising out of such dispute.

2. As rental, lessee shall pay to lessor annually on or before each anniversary date of this lease the sum of five dollars (\$5.00) per acre or fraction thereof, such rental payments to continue so long as this lease shall remain in force.

3. Lessee agrees to pay interest on delinquent royalty and rental payments at the rate of one percent (1%) per month, or fraction thereof, accruing from the date said payment becomes due.

4. If, at the end of the primary term, the lessee has submitted a mine plan, which is not subsequently disapproved by the lessor within three months after submission, and the lessee has either incorporated the land leased hereunder with adjacent land into a logical mining unit or has shown to the satisfaction of the lessor that the adjacent land is federal land which has not been available for coal leasing but that the lessee has incurred substantial costs in developing the leased land, then this lease shall not expire at the end of the primary term but shall continue for a secondary term of an additional five years.

5. If, at the end of the secondary term, the lessee is producing coal at an average annual rate of either one percent of the estimated recoverable reserves from the leased lands or one percent of the estimated recoverable reserves from the logical mining unit, then this lease shall not expire but shall continue as long as the one percent production is maintained. Provided,



that, for purposes of determining if the one percent annual production has been maintained during any year after the end of the second year following the beginning of production, the annual production averaged over the previous three years, shall be used. For purposes of this paragraph, annual rates of production shall be measured from lease anniversary date to lease anniversary date.

6. In lieu of actual production at or after the end of the secondary term hereof, lessee may prevent the expiration of this lease by the timely payment of an advance royalty equal to the estimated royalty obligation which would be due if one percent of the recoverable reserves in the lands leased hereunder were produced. Payment of such advance royalty on or before a lease anniversary date will act to prevent the expiration of this lease until the next ensuing lease anniversary date; provided, that this lease shall not be extended for more than ten years by payment of advance royalties. Any credit later taken in any month for advance royalties shall not exceed fifty percent of the actual production royalty due for that month.

7. The lessee, with the written approval of the lessor, may assign or sublet this lease in whole or in part; provided, however, that no assignment of an undivided interest nor any assignment or sublease of less than a legal subdivision shall be recognized or approved by the lessor. Provided further, however, the lessee may enter into any contract for the development of the leasehold premises or any portion thereof, or may create overriding royalties or obligations payable out of production, or enter into any other agreements with respect to the development of the leasehold premises or disposition of the production therefrom, and it shall not be necessary for any such contracts, agreements, or other instruments to be approved by the lessor; but nothing herein contained shall relieve the lessee from complying with any of the terms or provisions hereof.

8. Lessee, including his heirs, assigns, agents, and contractors shall at his own expense fully comply with and conform to accepted operational standards and practices in general use in the industry and all laws, regulations, rules, ordinances, and requirements of the city, county, state, federal authorities and agencies, in all matters and things affecting the premises and operations thereon which may be enacted or promulgated under the governmental police powers pertaining to the public health and welfare, including but not limited to conservation, reclamation, sanitation, aesthetics, pollution, cultural properties, fire, and ecology. Such agencies are not to be deemed third party beneficiaries hereunder; however, this clause is enforceable by the lessor in the same manner as other covenants of this lease.

9. The lessor or his authorized representative shall have the right to enter the leased lands for the purpose of measuring the cubical contents of every opening from which coal has been extracted and to otherwise inspect the leased lands to ensure that proper royalties have been paid. The lessor or his representative shall have the right to inspect all records, books or accounts pertaining to the mining, extraction, transportation and marketing of coal produced from the leased lands and, at the request of the lessor, the lessee shall furnish contracts, reports, samples, logs, assays or cores within reasonable bounds as the lessor may determine to be necessary to the proper administration of the leased lands and this lease. In addition, lessee shall furnish annually and at such other times as the lessor may require, plats, maps, or tracings, clearly and accurately showing all development work upon the leased lands, and other related information, with a report as to all buildings, structures, or other work placed in or upon the leased lands, and a statement as to the amount and grade of coal produced and sold.

10. The value of any unpaid royalty shall become a prior lien upon the production from the leased lands and the improvements situated thereon.

11. Before commencing excavation operations or development upon the leased lands, the lessee shall execute and file with the lessor a good and sufficient bond or other appropriate surety in an amount to be fixed at that time by the lessor and based upon the approved mine plan to:

A. Guarantee the performance of all covenants and obligations under this lease, including the obligation to pay royalties;

B. Ensure that all aspects of mining operations and reclamation operations are conducted in conformity with the mine permit issued by the Mining and Minerals Division of the Energy, Minerals and Natural Resources Department pursuant to the Surface Mining Act; and

C. Ensure compensation for damage to the surface or surface improvements in the absence of an agreement between the lessee and any surface owner.

A bond filed with the Mining and Minerals division of the Energy, Minerals and Natural Resources Department pursuant to the Surface Mining Act will satisfy the requirements of Subsection B of this paragraph unless the lessor, in his discretion, determines that the bond filed with the Mining and Minerals Division is insufficient. Any bond, filed with the lessor pursuant to the provisions of this paragraph, shall be released by the lessor

upon a showing that lessee has complied with the obligations as specified in Subsections A, B and C of this paragraph.

12. Lessor may cancel this lease for nonpayment of rentals, nonpayment of royalties, or violation of any of the terms or covenants thereof; provided, however, that before any such cancellation shall be made, lessor, must mail to lessee, by registered or certified mail addressed to the post office address of the lessee shown by the lease, or by specific written notice of change of address furnished by lessee, a thirty-day notice of intention to cancel this lease, specifying the default for which the lease is subject to cancellation. No proof or receipt of notice shall be necessary and thirty days after such mailing, lessor may enter cancellation unless lessee shall have sooner remedied the default; provided, that if the violation cannot be remedied within the thirty-day period and the lessee shall have commenced operations to substantially remedy the violation within such period, the lease shall not be cancelled as long as lessee diligently pursues actions necessary to remedy the violation.

13. With the consent of the lessor this lease may be relinquished in whole or in part; provided, that the lessor will not approve any relinquishment of an undivided interest nor less than a legal subdivision. When filed and approved, such relinquishment shall be effective from the date of filing. Upon relinquishment of the lease, lessee shall be relieved from further obligations and liabilities hereunder as to the lands surrendered subject, however, to the continued obligations to: make payment of all accrued rentals and royalties; protect or restore the surface and surface resources consistent with the mine permit issued by the Mining and Minerals Division of the Energy, Minerals and Natural Resources Department; and to otherwise perform other obligations accrued under the lease.

14. Coalbed methane gas is specifically excluded and reserved from this lease, except for small incidental quantities which may have to be vented or flared to achieve access to coal. Although lessee may engage in insitu coal gasification in order to remove coal, such gasification shall not disturb or diminish commercial quantities of coalbed methane gas.

15. Lessee may make or place such improvements and equipment upon the leased land as may be reasonably necessary to explore for, mine and remove coal, and upon termination of this lease for any reason, lessee may remove such improvements and equipment as can be removed without material injury to the premises; provided, however, that all rentals and royalties have been paid and that such removal is accomplished within 180 days of the termination date. All improvements and equipment remaining upon the premises after the removal date, as set forth

in accordance with this paragraph, shall be forfeited to lessor without compensation.

16. Lessee shall not mortgage any improvements placed upon the land.

17. The State has a continuing option to purchase at any time and from time to time, at the market price prevailing in the area on the date of purchase, all or any part of the coal that will be produced from the lands covered by this lease.

18. All the obligations, covenants, agreements, rights and privileges of this lease shall extend to and be binding and inure to the benefit of the lawful and recognized assigns or successors in interest of the parties hereto.

19. Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands leased and the right to continue existing uses upon or in the leased lands, including issuing leases for mineral deposits not covered hereunder or the approval of easements or rights-of-way. Lessor shall condition such uses to prevent unnecessary or unreasonable interference with rights of lessee as may be consistent with concepts of multiple use and multiple mineral development.

20. Lessee shall be liable and agree to pay for all damage to livestock, growing crops, water or other tangible improvements on the leased lands as may be suffered by reason of development, use and occupation of the lands by lessee.

21. Any and all water rights developed on the leased lands by lessee shall be developed in the name of lessor. Lessee, at its own expense, shall comply with all regulations of, and obtain all necessary permits from, the office of the State Engineer. Lessee shall have the full and free use of such water rights for lease operations during the term of the lease. Upon expiration or termination of the lease, such water rights shall be retained by lessor. During the term of the lease, lessee shall preserve, protect and defend such water rights.

22. Lessee shall save and hold harmless, indemnify and defend the State of New Mexico, the Commissioner of Public Lands, and his agents in their official and individual capacities, of and from any and all liability claims, losses, or damages arising out of or alleged to arise out of or indirectly connected with the operations of lessee hereunder, off or on the leased lands, or the presence on said lands of any agent, contractor or subcontractor of lessee. All terms and provisions of this instrument shall be binding upon the contractors and subcontractors of lessee in like manner as the same are binding

upon lessee, and all acts and doings of said contractors and subcontractors shall be deemed and treated as the same and held responsible by lessee.

23. Lessee shall exercise reasonable diligence, care and skill in the operating of the leased lands in accordance with standard and approved mining methods and practices. Lessee shall conduct all exploration, development and mining operations in a good workmanlike manner having due regard to the health and safety of employees, the prevention of waste and the preservation of the property for further productive operations. All mining and related productive operations are to be subject to inspection by lessor or his duly authorized agent.

24. See attached stipulations, if any, hereby made part of this lease.

IN WITNESS WHEREOF, the State of New Mexico has hereunto signed and caused its name to be signed by its Commissioner of Public Lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement to be effective the day and year above written.

STATE OF NEW MEXICO

BY: Jim Bow  
COMMISSIONER OF PUBLIC LANDS

James R. Rothwell  
LESSEE

(PERSONAL ACKNOWLEDGMENT)  
STATE OF NEW MEXICO  
COUNTY OF SAN JUAN

The foregoing instrument was acknowledged before me on this 18TH day of SEPTEMBER, 1991, by JAMES R. ROTHWELL.

My Commission Expires:

Nov. 16, 1991

D. J. Lazenby  
NOTARY PUBLIC



OFFICIAL SEAL  
D. J. LAZENBY  
NOTARY PUBLIC - STATE OF NEW MEXICO

My commission expires: Nov. 16, 1991

Application of Richardson Operating  
Co.

Record on Appeal, 723.


(ACKNOWLEDGMENT BY CORPORATION)

STATE OF NEW MEXICO            )  
                                      ) ss.  
COUNTY OF SAN JUAN            )

The foregoing instrument was acknowledged before me on this 2nd day of December, 1991, by James R. Rothwell, Vice President & General Manager, of San Juan Coal Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

5-9-92

  
NOTARY PUBLIC



AUG 31 2001

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NEW MEXICO STATE LAND OFFICE  
A M E N D E D  
COAL MINING LEASE

STATE LAND OFFICE

APPLICATION NO. MC-0088

LEASE NO. MC-0088

THIS AGREEMENT, dated this 15TH day of JULY, 1991, made and entered into, between the STATE OF NEW MEXICO, acting by and through the undersigned, its COMMISSIONER OF PUBLIC LANDS, hereinafter called the "lessor", and:  
SAN JUAN COAL COMPANY  
P.O. BOX 561 WATERFLOW, NEW MEXICO 87421,  
hereinafter called the "lessee".

WITNESSETH:

WHEREAS, lessee has filed in the State Land Office an application for a coal lease for the purpose of exploring for, mining, developing and producing coal upon the lands hereinafter described, and has tendered THREE THOUSAND TWO HUNDRED FIFTY AND 00/100---DOLLARS (\$3,250.00), for the first annual rental payment, together with one hundred dollars (\$100.00) application fee, and N/A dollars (\$N/A), for a bonus;

NOW THEREFORE, in consideration of the above tender, receipt of which is acknowledged, and the COVENANTS herein, lessor hereby grants, and leases to lessee, exclusively, for the sole and only purpose of exploring for, mining, developing, producing and removing coal in, upon or under the following described lands in SAN JUAN County, New Mexico:

INST	SEC	TWP	RGE	SUBDIVISION	ACRES
C.S.	36	30N 15W		LOTS 1(40.57), 2(41.73), 3(42.87), 4(44.03), N2, N2S2	649.20

together with the right to use so much of the surface as is reasonably necessary to explore for, mine, deve  
remove the coal.

Application of Richardson Operating  
Co.

Record on Appeal, 726.

8/23/89

TO HAVE AND TO HOLD the said lands and privileges granted hereunder for a primary term of five years.

IN CONSIDERATION OF THE PREMISES, THE PARTIES COVENANT AND AGREE AS FOLLOWS:

1. As royalty, lessee shall pay to lessor twelve and one-half percent of the proceeds received from the sale of all surface-mined coal or, at the option of the lessor, the market value thereof, and eight percent of the proceeds received from the sale of all underground-mined coal or, at the option of the lessor, the market value thereof. The royalty rate may be reduced by the lessor upon a showing by the lessee that the leases for non-state coal in the same logical mining unit provide for a lower rate or that the lands leased hereunder will be bypassed and not mined without a rate reduction. Such royalty is due in full on the last day of the month following the calendar month of sale and shall be reported to the lessor, together with such other information as may be required by the lessor, upon forms prescribed by the lessor. In the event of a dispute as to the amount of royalty due, the lessee shall assume the burden of proof in any court action arising out of such dispute.

2. As rental, lessee shall pay to lessor annually on or before each anniversary date of this lease the sum of five dollars (\$5.00) per acre or fraction thereof, such rental payments to continue so long as this lease shall remain in force.

3. Lessee agrees to pay interest on delinquent royalty and rental payments at the rate of one percent (1%) per month, or fraction thereof, accruing from the date said payment becomes due.

4. If, at the end of the primary term, the lessee has submitted a mine plan, which is not subsequently disapproved by the lessor within three months after submission, and the lessee has either incorporated the land leased hereunder with adjacent land into a logical mining unit or has shown to the satisfaction of the lessor that the adjacent land is federal land which has not been available for coal leasing but that the lessee has incurred substantial costs in developing the leased land, then this lease shall not expire at the end of the primary term but shall continue for a secondary term of an additional five years.

5. If, at the end of the secondary term, the lessee is producing coal at an average annual rate of either one percent of the estimated recoverable reserves from the leased lands or one percent of the estimated recoverable reserves from the logical mining unit, then this lease shall not expire but shall continue as long as the one percent production is maintained. Provided,



that, for purposes of determining if the one percent annual production has been maintained during any year after the end of the second year following the beginning of production, the annual production averaged over the previous three years, shall be used. For purposes of this paragraph, annual rates of production shall be measured from lease anniversary date to lease anniversary date.

6. In lieu of actual production at or after the end of the secondary term hereof, lessee may prevent the expiration of this lease by the timely payment of an advance royalty equal to the estimated royalty obligation which would be due if one percent of the recoverable reserves in the lands leased hereunder were produced. Payment of such advance royalty on or before a lease anniversary date will act to prevent the expiration of this lease until the next ensuing lease anniversary date; provided, that this lease shall not be extended for more than ten years by payment of advance royalties. Any credit later taken in any month for advance royalties shall not exceed fifty percent of the actual production royalty due for that month.

7. The lessee, with the written approval of the lessor, may assign or sublet this lease in whole or in part; provided, however, that no assignment of an undivided interest nor any assignment or sublease of less than a legal subdivision shall be recognized or approved by the lessor. Provided further, however, the lessee may enter into any contract for the development of the leasehold premises or any portion thereof, or may create overriding royalties or obligations payable out of production, or enter into any other agreements with respect to the development of the leasehold premises or disposition of the production therefrom, and it shall not be necessary for any such contracts, agreements, or other instruments to be approved by the lessor; but nothing herein contained shall relieve the lessee from complying with any of the terms or provisions hereof.

8. Lessee, including his heirs, assigns, agents, and contractors shall at his own expense fully comply with and conform to accepted operational standards and practices in general use in the industry and all laws, regulations, rules, ordinances, and requirements of the city, county, state, federal authorities and agencies, in all matters and things affecting the premises and operations thereon which may be enacted or promulgated under the governmental police powers pertaining to the public health and welfare, including but not limited to conservation, reclamation, sanitation, aesthetics, pollution, cultural properties, fire, and ecology. Such agencies are not to be deemed third party beneficiaries hereunder; however, this clause is enforceable by the lessor in the same manner as other covenants of this lease.

9. The lessor or his authorized representative shall have the right to enter the leased lands for the purpose of measuring the cubical contents of every opening from which coal has been extracted and to otherwise inspect the leased lands to ensure that proper royalties have been paid. The lessor or his representative shall have the right to inspect all records, books or accounts pertaining to the mining, extraction, transportation and marketing of coal produced from the leased lands and, at the request of the lessor, the lessee shall furnish contracts, reports, samples, logs, assays or cores within reasonable bounds as the lessor may determine to be necessary to the proper administration of the leased lands and this lease. In addition, lessee shall furnish annually and at such other times as the lessor may require, plats, maps, or tracings, clearly and accurately showing all development work upon the leased lands, and other related information, with a report as to all buildings, structures, or other work placed in or upon the leased lands, and a statement as to the amount and grade of coal produced and sold.

10. The value of any unpaid royalty shall become a prior lien upon the production from the leased lands and the improvements situated thereon.

11. Before commencing excavation operations or development upon the leased lands, the lessee shall execute and file with the lessor a good and sufficient bond or other appropriate surety in an amount to be fixed at that time by the lessor and based upon the approved mine plan to:

A. Guarantee the performance of all covenants and obligations under this lease, including the obligation to pay royalties;

B. Ensure that all aspects of mining operations and reclamation operations are conducted in conformity with the mine permit issued by the Mining and Minerals Division of the Energy, Minerals and Natural Resources Department pursuant to the Surface Mining Act; and

C. Ensure compensation for damage to the surface or surface improvements in the absence of an agreement between the lessee and any surface owner.

A bond filed with the Mining and Minerals division of the Energy, Minerals and Natural Resources Department pursuant to the Surface Mining Act will satisfy the requirements of Subsection B of this paragraph unless the lessor, in his discretion, determines that the bond filed with the Mining and Minerals Division is insufficient. Any bond, filed with the lessor pursuant to the provisions of this paragraph, shall be released by the lessor

upon a showing that lessee has complied with the obligations as specified in Subsections A, B and C of this paragraph.

12. Lessor may cancel this lease for nonpayment of rentals, nonpayment of royalties, or violation of any of the terms or covenants thereof; provided, however, that before any such cancellation shall be made, lessor, must mail to lessee, by registered or certified mail addressed to the post office address of the lessee shown by the lease, or by specific written notice of change of address furnished by lessee, a thirty-day notice of intention to cancel this lease, specifying the default for which the lease is subject to cancellation. No proof or receipt of notice shall be necessary and thirty days after such mailing, lessor may enter cancellation unless lessee shall have sooner remedied the default; provided, that if the violation cannot be remedied within the thirty-day period and the lessee shall have commenced operations to substantially remedy the violation within such period, the lease shall not be cancelled as long as lessee diligently pursues actions necessary to remedy the violation.

13. With the consent of the lessor this lease may be relinquished in whole or in part; provided, that the lessor will not approve any relinquishment of an undivided interest nor less than a legal subdivision. When filed and approved, such relinquishment shall be effective from the date of filing. Upon relinquishment of the lease, lessee shall be relieved from further obligations and liabilities hereunder as to the lands surrendered subject, however, to the continued obligations to: make payment of all accrued rentals and royalties; protect or restore the surface and surface resources consistent with the mine permit issued by the Mining and Minerals Division of the Energy, Minerals and Natural Resources Department; and to otherwise perform other obligations accrued under the lease.

14. Coalbed methane gas is specifically excluded and reserved from this lease, except for small incidental quantities which may have to be vented or flared to achieve access to coal. Although lessee may engage in insitu coal gasification in order to remove coal, such gasification shall not disturb or diminish commercial quantities of coalbed methane gas.

15. Lessee may make or place such improvements and equipment upon the leased land as may be reasonably necessary to explore for, mine and remove coal, and upon termination of this lease for any reason, lessee may remove such improvements and equipment as can be removed without material injury to the premises; provided, however, that all rentals and royalties have been paid and that such removal is accomplished within 180 days of the termination date. All improvements and equipment remaining upon the premises after the removal date, as set forth

in accordance with this paragraph, shall be forfeited to lessor without compensation.

16. Lessee shall not mortgage any improvements placed upon the land.

17. The State has a continuing option to purchase at any time and from time to time, at the market price prevailing in the area on the date of purchase, all or any part of the coal that will be produced from the lands covered by this lease.

18. All the obligations, covenants, agreements, rights and privileges of this lease shall extend to and be binding and inure to the benefit of the lawful and recognized assigns or successors in interest of the parties hereto.

19. Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands leased and the right to continue existing uses upon or in the leased lands, including issuing leases for mineral deposits not covered hereunder or the approval of easements or rights-of-way. Lessor shall condition such uses to prevent unnecessary or unreasonable interference with rights of lessee as may be consistent with concepts of multiple use and multiple mineral development.

20. Lessee shall be liable and agree to pay for all damage to livestock, growing crops, water or other tangible improvements on the leased lands as may be suffered by reason of development, use and occupation of the lands by lessee.

21. Any and all water rights developed on the leased lands by lessee shall be developed in the name of lessor. Lessee, at its own expense, shall comply with all regulations of, and obtain all necessary permits from, the office of the State Engineer. Lessee shall have the full and free use of such water rights for lease operations during the term of the lease. Upon expiration or termination of the lease, such water rights shall be retained by lessor. During the term of the lease, lessee shall preserve, protect and defend such water rights.

22. Lessee shall save and hold harmless, indemnify and defend the State of New Mexico, the Commissioner of Public Lands, and his agents in their official and individual capacities, of and from any and all liability claims, losses, or damages arising out of or alleged to arise out of or indirectly connected with the operations of lessee hereunder, off or on the leased lands, or the presence on said lands of any agent, contractor or subcontractor of lessee. All terms and provisions of this instrument shall be binding upon the contractors and subcontractors of lessee in like manner as the same are binding

upon lessee, and all acts and doings of said contractors and subcontractors shall be deemed and treated as the same and held responsible by lessee.

23. Lessee shall exercise reasonable diligence, care and skill in the operating of the leased lands in accordance with standard and approved mining methods and practices. Lessee shall conduct all exploration, development and mining operations in a good workmanlike manner having due regard to the health and safety of employees, the prevention of waste and the preservation of the property for further productive operations. All mining and related productive operations are to be subject to inspection by lessor or his duly authorized agent.

24. See attached stipulations, if any, hereby made part of this lease.

IN WITNESS WHEREOF, the State of New Mexico has hereunto signed and caused its name to be signed by its Commissioner of Public Lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement to be effective the day and year above written.

STATE OF NEW MEXICO

BY: Jim Bore  
COMMISSIONER OF PUBLIC LANDS  
SAN JUAN COAL COMPANY

BY: James R. Rothwell  
LESSEE/ JAMES R. ROTHWELL  
Vice President & Gen. Mgr.  
(PERSONAL ACKNOWLEDGMENT) Western U. S. Mining

STATE OF \_\_\_\_\_)

COUNTY OF \_\_\_\_\_)

The foregoing instrument was acknowledged before me on this  
\_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by \_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
NOTARY PUBLIC

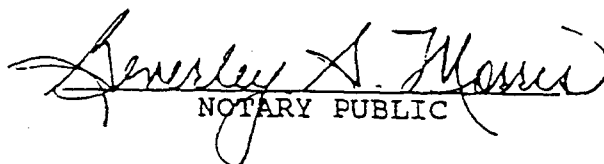
(ACKNOWLEDGMENT BY CORPORATION)

STATE OF NEW MEXICO       )  
                                  ) ss.  
COUNTY OF SAN JUAN       )

The foregoing instrument was acknowledged before me on this 2nd day of December, 1991, by James R. Rothwell, Vice President & General Manager, of San Juan Coal Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

5-9-92

  
NOTARY PUBLIC



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

OIL CONSERVATION COMMISSION

Case No. 12734

Exhibit #

A-5-4

Submitted By: Richardson Oper. Co.

Hearing Date: October 28 & 30, 2002

NMNM 99144

COAL LEASE

PART I. LEASE RIGHTS GRANTED

This lease, entered into by and between the UNITED STATES OF AMERICA, hereinafter called lessor, through the Bureau of Land Management, a  
(Name and Address)

San Juan Coal Company  
300 W. Arrington, Suite 200  
Farmington, NM 87401

hereinafter called lessee, is effective (date) MAR 1 2001, for a period of 20 years and for so long thereafter as coal is produced in commercial quantities from the leased lands, subject to readjustment of lease terms at the end of the 20th lease year and each 10-year period thereafter.

Sec. 1. This lease is issued pursuant and subject to the terms and provisions of the:

- ☒ Mineral Lands Leasing Act of 1920, Act of February 25, 1920, as amended, 41 Stat. 437, 30 U.S.C. 181-287, hereinafter referred to as the Act;  
☐ Mineral Leasing Act for Acquired Lands, Act of August 7, 1947, 61 Stat. 913, 30 U.S.C. 351-359;

and to the regulations and formal orders of the Secretary of the Interior which are now or hereafter in force, when not inconsistent with the express and specific provisions herein.

Sec. 2. Lessor, in consideration of any bonuses, rents, and royalties to be paid, and the conditions and covenants to be observed as herein set forth, hereby grants and leases to lessee the exclusive right and privilege to drill for, mine, extract, remove, or otherwise process and dispose of the coal deposits in, upon, or under the following described lands:

T. 30 N., R. 14 W., NMPM

- sec. 17, ALL;  
sec. 18, ALL;  
sec. 19, ALL;  
sec. 20, ALL;  
sec. 29, ALL;  
sec. 30, ALL;  
sec. 31, Lots 1-4,  
N $\frac{1}{2}$ , N $\frac{1}{2}$ S $\frac{1}{2}$ ;

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BUR. OF LAND MGMT  
N.M.S.O. SANTA FE

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containing 4,483.88 acres, more or less, together with the right to construct such works, buildings, plants, structures, equipment and appliances and the right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.

PART II. TERMS AND CONDITIONS

Sec. 1. (a) RENTAL RATE - Lessee shall pay lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate of \$ 3.00 for each lease year.

(b) RENTAL CREDITS - Rental shall not be credited against either production or advance royalties for any year.

Sec. 2. (a) PRODUCTION ROYALTIES - The royalty shall be \* percent of the value of the coal as set forth in the regulations. Royalties are due to lessor the final day of the month succeeding the calendar month in which the royalty obligation accrues.

(b) ADVANCE ROYALTIES - Upon request by the lessee, the authorized officer may accept, for a total of not more than 10 years, the payment of advance royalties in lieu of continued operation, consistent with the regulations. The advance royalty shall be based on a percent of the value of a minimum number of tons determined in the manner established by the advance royalty regulations in effect at the time the lessee requests approval to pay advance royalties in lieu of continued operation.

Sec. 3. BONDS - Lessee shall maintain in the proper office a lease bond in the amount of \$ 14,000. The authorized officer may require an increase in this amount when additional coverage is determined appropriate.

\*12 $\frac{1}{2}$  percent of the value of the coal removed by surface methods or

Sec. 4. DILIGENCE - This lease is subject to the conditions of diligent development and continued operation, except that these conditions are excused when operations under the lease are interrupted by strikes, elements, or casualties not attributable to the lessee. The lessor, in public interest, may suspend the condition of continued operation upon payment of advance royalties in accordance with the regulations in existence at the time of the suspension. Lessee's failure to produce coal in commercial quantities at the end of 10 years shall terminate the lease. Lessee shall submit an operation and reclamation plan pursuant to Section 7 of the Act not later than 3 years after lease issuance.

The lessor reserves the power to assent to or order the suspension of terms and conditions of this lease in accordance with, under, or in violation of Section 39 of the Mineral Leasing Act, 30 U.S.C. 209.

Sec. 5. LOGICAL MINING UNIT (LMU) - Either upon approval by the lessor or the lessee's application or at the direction of the lessor, the lease shall become an LMU or part of an LMU, subject to the provisions set forth in the regulations.

The stipulations established in an LMU approval in effect at the time of LMU approval will supersede the relevant inconsistent terms of the lease so long as the lease remains committed to the LMU. If the LMU in which this lease is a part is dissolved, the lease shall then be subject to the lease terms which would have been applied if the lease had not been included in an LMU.

Sec. 6. DOCUMENTS, EVIDENCE AND INSPECTION - At such times and in such form as lessor may prescribe, lessee shall furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost.

Lessee shall keep open at all reasonable times for the inspection of any authorized officer of lessor, the leased premises and all surface and underground improvements, works, machinery, ore stockpiles, equipment, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lessee shall allow lessor access to and copying of documents reasonably necessary to verify lessee compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 7. DAMAGES TO PROPERTY AND CONDUCT OF OPERATIONS - Lessee shall comply at its own expense with all reasonable orders of the Secretary, respecting diligent operations, prevention of waste, and protection of other resources.

Lessee shall not conduct exploration operations, other than casual use, without an approved exploration plan. All exploration plans prior to the commencement of mining operations within an approved mining permit area shall be submitted to the authorized officer.

Lessee shall carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health, or property, and prevention of waste, damage or degradation to any land, air, water, cultural, biological, visual, and other resources, including mineral deposits and formations of mineral deposits not leased hereunder, and to other land uses or users. Lessee shall take measures deemed necessary by lessor to accomplish the intent of this lease term. Such measures may include, but are not limited to, modification to proposed siting or design of facilities, timing of operations, and specification of reclamation and final reclamation procedures. Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits not covered hereunder and approving easements or rights-of-way. Lessor shall condition such uses to prevent unnecessary or unreasonable interference with rights of lessee as may be consistent with concepts of multiple use and multiple mineral development.

Sec. 8. PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY - Lessee shall: pay when due all taxes legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; restrict the workday to not more than 8 hours in any one day for underground workers, except in emergencies; and take measures necessary to protect the health and safety of the public. No person under the age of 16 years shall be employed in any mine below the surface. To the extent that laws of the State in which the lands are situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor. Neither lessee nor lessee's subcontractors shall maintain segregated facilities.

#### Sec. 15. SPECIAL STIPULATIONS -

1. The lessee shall comply at its own expense with all reasonable orders of the Secretary respecting diligent operations, prevention of waste, and protection of non-coal resources.

This coal lease is subject to all prior existing rights including the right of oil and gas lessees & other mineral lessees and surface users.

3. It is solely the responsibility of the coal lessee, not the responsibility of BLM, to clear the coal tract of any legal encumbrances or pre-existing land uses that would impede or prevent coal mining on the tract.

#### Sec. 9. (a) TRANSFERS

- ☒ This lease may be transferred in whole or in part to any person, association or corporation qualified to hold such lease interest.
- ☐ This lease may be transferred in whole or in part to another public body or to a person who will mine the coal on behalf of, and for the use of, the public body or to a person who for the limited purpose of creating a security interest in favor of a lender agrees to be obligated to mine the coal on behalf of the public body.
- ☐ This lease may only be transferred in whole or in part to another small business qualified under 13 CFR 121.

Transfers of record title, working or royalty interest must be approved in accordance with the regulations.

(b) RELINQUISHMENT - The lessee may relinquish in writing at any time all rights under this lease or any portion thereof as provided in the regulations. Upon lessor's acceptance of the relinquishment, lessee shall be relieved of all future obligations under the lease or the relinquished portion thereof, whichever is applicable.

Sec. 10. DELIVERY OF PREMISES, REMOVAL OF MACHINERY, EQUIPMENT, ETC. - At such time as all portions of this lease are returned to lessor, lessee shall deliver up to lessor the land leased, underground timbering, and such other supports and structures necessary for the preservation of the mine workings on the leased premises or deposits and place all workings in condition for suspension or abandonment. Within 180 days thereof, lessee shall remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by the authorized officer. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, shall become the property of the lessor, but lessee shall either remove any or all such property or shall continue to be liable for the cost of removal and disposal in the amount actually incurred by the lessor. If the surface is owned by third parties, lessor shall waive the requirement for removal, provided the third parties do not object to such waiver. Lessee shall, prior to the termination of bond liability or at any other time when required and in accordance with all applicable laws and regulations, reclaim all lands the surface of which has been disturbed, dispose of all debris or solid waste, repair the offsite and onsite damage caused by lessee's activity or activities incidental thereto, and reclaim access roads or trails.

Sec. 11. PROCEEDINGS IN CASE OF DEFAULT - If lessee fails to comply with applicable laws, existing regulations, or the terms, conditions and stipulations of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation by the lessor only by judicial proceedings. This provision shall not be construed to prevent the exercise by lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

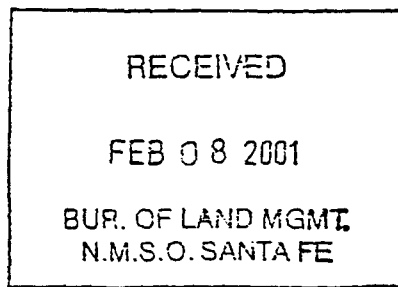
Sec. 12. HEIRS AND SUCCESSORS IN INTEREST - Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 13. INDEMNIFICATION - Lessee shall hold harmless the United States from any and all claims arising out of the lessee's activities and operations under this lease.

Sec. 14. SPECIAL STATUTES - This lease is subject to the Clean Water Act (33 U.S.C. 1252 et. seq.), the Clean Air Act (42 U.S.C. 4274 et. seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation, including the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et. seq.).



4. No portion of the 1998 Coal Leasing Area Resource Plan Amendment shall be construed to require BLM to act in the role of a party to mediation or mitigation efforts between mineral or surface interest holders.



Application of Richardson Operating  
Co.  
Record on Appeal, 737.

THE UNITED STATES OF AMERICA

SAN JUAN COAL COMPANY

Company or Lessee Name

*John M. Goff*  
(Signature of Lessee)

President

(Title)

February 06, 2001

(Date)

By

*Carsten F. Goff*  
(Signing Officer)

Carsten F. Goff  
Acting, State Director

(Title)

FEB 23 2001

(Date)

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