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DEPT OF ECOLOGY

State of Washington

Application for a Water Right

For Ecology Use

Fee Paid 10

Date 04/14/03

Please follow the attached instructions to avoid unnecessary delays.

Section 1. APPLICANT - PERSON, ORGANIZATION, OR WATER SYSTEM

Name Firchau Mining L.L.C Home Tel: (425) 831 7430
Mailing Address 428 Stowe Ave S #2 Work Tel: (425) 831 7430
City NorthBend State WA Zip+4 98045 +9136 FAX: () -

Section 2. CONTACT - PERSON TO CALL ABOUT THE APPLICATION

Same as above

Name Renee Everett Home Tel: (425) 831 7430
Mailing Address 428 Stowe Ave S #2 Work Tel: () -
City NorthBend State WA Zip+498045 +9136 FAX: () -
Relationship to applicant Manager of Firchau Mining L.L.C

Section 3. STATEMENT OF INTENT

To eliminate contaminants from the coal mining the water for commercial consumption will be taken from a different channel unrelated to the coal production.

The applicant requests a permit to use not more than 1800 (gallons per minute or cubic feet per second) from a surface water source or ground water source (check only one) for the purpose(s) of commercialize mineral water / commercialize Coal. ATTACH A "LEGAL"

DESCRIPTION OF THE PLACE OF USE. (See instructions.) NOTE: A tax parcel number or a plat number is not sufficient.

Estimate a maximum annual quantity to be used in acre-feet per year: 7000

Check if the water use is proposed for a short-term project. Indicate the period of time that the water will be needed:

From / / to / /

I would like to be able to use well water and/or

Section 4. WATER SOURCE

ground water for Coal mining if well water is less than 200 ft. If use of ground water it will be taken out of Deep Creek and/or Coal Creek.

Table with 2 columns: If SURFACE WATER, If GROUNDWATER. Includes details on water source names and well specifications.

LOCATION

Enter the north-south and east-west distances in feet from the point of diversion or withdrawal to the nearest section corner: N-S 3,000 ft South from North line of Section 1, 1,400 ft East of the West line of Section 1 and N-S 3,000 ft South from Northline of Section 8 1,200 ft East of the West line of Section 8

Table with columns for Section, Township, Range(E/W), County, and location details (Lot, Block, Subdivision).

For Ecology Use Date Received: 4/14/03 Priority Date: 4/14/03
SEPA: Exempt/Not Exempt FERC License # Dept. Of Health #
Date Accepted As Complete 4/14/03 By Date Returned By WRIA: 1

App. No.: 01-28176

Section 5. GENERAL WATER SYSTEM INFORMATION

- A. Name of system, if named: Borehole mining
- B. Briefly describe your proposed water system. (See instructions.)
 As the water has become mineralized and has passed through the glacial-land mass it will have taken on a high mineral content and will be used for commercial consumption.
 Coal mining will utilize the method of Borehole mining, therefore utilizing water under high pressure to hydraulically break down the coal seams and bring them to the surface through the center of the drill bore. Water will be mixed with the coal as a transfer medium, then it will be piped off of the mountain. It is also essential in the operation of cleansing the coal using cyclone centrifugal equipment.
- C. Do you already have any water rights or claims associated with this property or system? YES NO
 PROVIDE DOCUMENTATION. Rights to any and all minerals and coal and use of water which applicant requires in carry on its operations.

Section 6. DOMESTIC / PUBLIC WATER SUPPLY SYSTEM INFORMATION
(Completed for all domestic/public supply uses.)

- A. Number of "connections" requested: _____ Type of connection _____ (Homes, Apartment, Recreational, etc.)
- B. Are you within the area of an approved water system? YES NO
 If yes, explain why you are unable to connect to the system. Note: Regional water systems are identified by your County Health Department.

Complete C. and D. only if the proposed water system will have fifteen or more connections.

- C. Do you have a current water system plan approved by the Washington State Department of Health? YES NO
 If yes, when was it approved? _____ Please attach the current approved version of your plan.
- D. Do you have an approved conservation plan? YES NO
 If yes, when was it approved? _____ Please attach the current approved version of your plan.

Section 7. IRRIGATION/AGRICULTURAL/FARM INFORMATION
(Complete for all irrigation and agriculture uses.)

- A. Total number of acres to be irrigated: _____
- B. List total number of acres for other specified agricultural uses:
 Use _____ Acres _____
 Use _____ Acres _____
 Use _____ Acres _____
- C. Total number of acres to be covered by this application: _____
- D. Family Farm Act (Initiative Measure Number 59, November 3, 1977)
 Add up the acreage in which you have a controlling interest, including only:
 ‡ Acreage irrigated under water rights acquired after December 8, 1977;
 ‡ Acreage proposed to be irrigated under this application;
 ‡ Acreage proposed to be irrigated under other pending application(s).
 1. Is the combined acreage greater than 2000 acres? YES NO
 2. Do you have a controlling interest in a Family Farm Development Permit? YES NO
 If yes, enter permit no: _____
- E. Farm uses:
 Stockwater - Total # of animals _____ Animal type _____ (If dairy cattle, see below)
 Dairy - # Milking _____ # Non-milking _____



Section 8. WATER STORAGE

Will you be using a dam, dike, or other structure to retain or store water?

YES NO

NOTE: If you will be storing 10 acre-feet or more of water and/or if the water depth will be 10 feet or more at the deepest point, and some portion of the storage will be above grade, you must also apply for a reservoir permit. You can get a reservoir permit application from the Department of Ecology.

Section 9. DRIVING DIRECTIONS

Provide detailed driving instructions to the project site.

I-5 North take Mount Baker highway exit also marked State Highway 542 in Bellingham then turn right heading East and proceed on Mount Baker highway for 33 miles. Land marks are the following: pass fire hall, town hall, post office, and Grams store. Then make right onto real estate.

Section 10. REQUIRED MAP

A. Attach a map of the project. (See instructions.)

Section 11. PROPERTY OWNERSHIP

A. Does the applicant own the land on which the water will be used? YES NO

If no, explain the applicant's interest in the place of use and provide the name(s) and address(es) of the owner(s):
Landowner is Glacier Land Company President Rick Snyder
Address: 121 SW Morrison Suite 1500 Portland Oregon 97204
Applicant is Firchau Mining L.L.C Manager Renee Everett
Applicant has an agreement with Landowner expiring December 31, 2035

for the sole and exclusive right of mining and removing any and all coal as well as any other minerals from the real estate and use on the land any water which applicant requires in carry on its operation. (see paragraph 1 and 1.7 of mining lease between landowner and applicant)

B. Does the applicant own the land on which the water source is located? YES NO

If no, submit a copy of agreement: Attached hereto is mining lease between landowner Glacier Land Company and Applicant Firchau Mining L.L.C and Exhibit A legal description.

I certify that the information above is true and accurate to the best of my knowledge. I understand that in order to process my application, I grant staff from the Department of Ecology access to the site for inspection and monitoring purposes. Even though I may have been assisted in the preparation of the above application by the employees of the Department of Ecology, all responsibility for the accuracy of the information rests with me.

Renee Everett
Applicant (or authorized representative)

7-13-02
Date

Crown Pacific Limited Partnership
Landowner for place of use (if same as applicant, write "same")

7.22.02
Date

By: [Signature]
Secretary



Use this page to continue your answers to any questions on the application. Please indicate section number before answer.

Section 4 continued for well water and/or ground water for coal.

1/4 of	Section	Township	Range (E/W)	County
NW	28	39N	7E	Whatcom
NE	29	39N	7E	Whatcom
SW	16	39N	6E	Whatcom
SW	19	39N	7E	Whatcom
NW	20	39N	7E	Whatcom
SE	20	39N	7E	Whatcom
NE	20	39N	7E	Whatcom
SE	30	39N	7E	Whatcom
SW	30	39N	7E	Whatcom
NE	30	39N	7E	Whatcom

We are returning your application for the following reason(s):	
Examination fee was not enclosed	APPLICANT PLEASE RETURN TO CASHIER, PO BOX 5128, LACEY, WA 98509-5128
Section number(s) _____ is/are incomplete	APPLICANT PLEASE RETURN TO THE APPROPRIATE REGIONAL OFFICE
Explanation:	
Please provide the additional information requested above and return your application by _____ (date).	

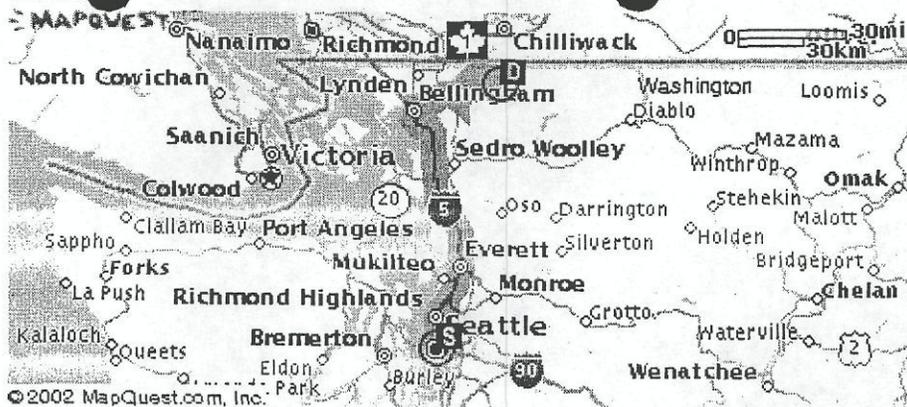
Ecology staff _____ Date _____

Ecology is an Equal Opportunity and Affirmative Action employer.

To receive this document in alternative format, contact the Water Resources Program at (360) 407-6604 (Voice) or (360) 407-6006 (TDD).

City to City Driving Direction

Over

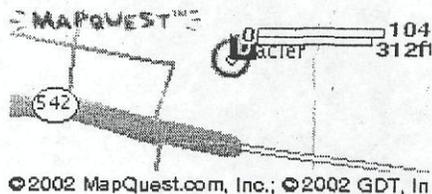


From



SEATTLE, WA

To



Contemporary Design Co

GLACIER, WA 98244

360-599-2833

Direction

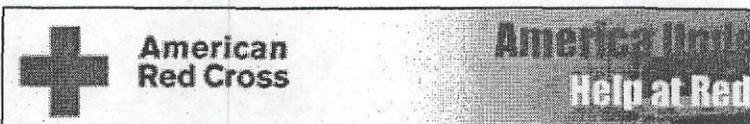
Distance

There are 0.03 miles (0.03 km) between the start of the directions and SEATTLE. Use the map above to get to MADISON ST.

- | | |
|---|------------------------|
| 1: Start out going Southwest on MADISON ST towards 5TH AVE by turning left. | 0.1 miles (0.2 km) |
| 2: Turn RIGHT onto 4TH AVE. | 0.2 miles (0.3 km) |
| 3: Turn RIGHT onto UNIVERSITY ST. | 0.2 miles (0.2 km) |
| 4: Take I-5 N. | 88.7 miles (142.7 krr) |
| 5: Take the WA-542 E/SUNSET DR exit, exit number 255, towards MT BAKER. | 0.2 miles (0.3 km) |
| 6: Turn RIGHT onto WA-542. | 33.2 miles (53.5 km) |

There are 0.05 miles (0.08 km) between the end of the directions and GLACIER. Use the map above to get to GLACIER

Total Distance 122.6 miles (197.2 k



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Need a Map or Driving Directions? Use the search form below to find the information you need.

Promotions



Find a Map

Street (e.g., 1600 Pennsylvania Ave)

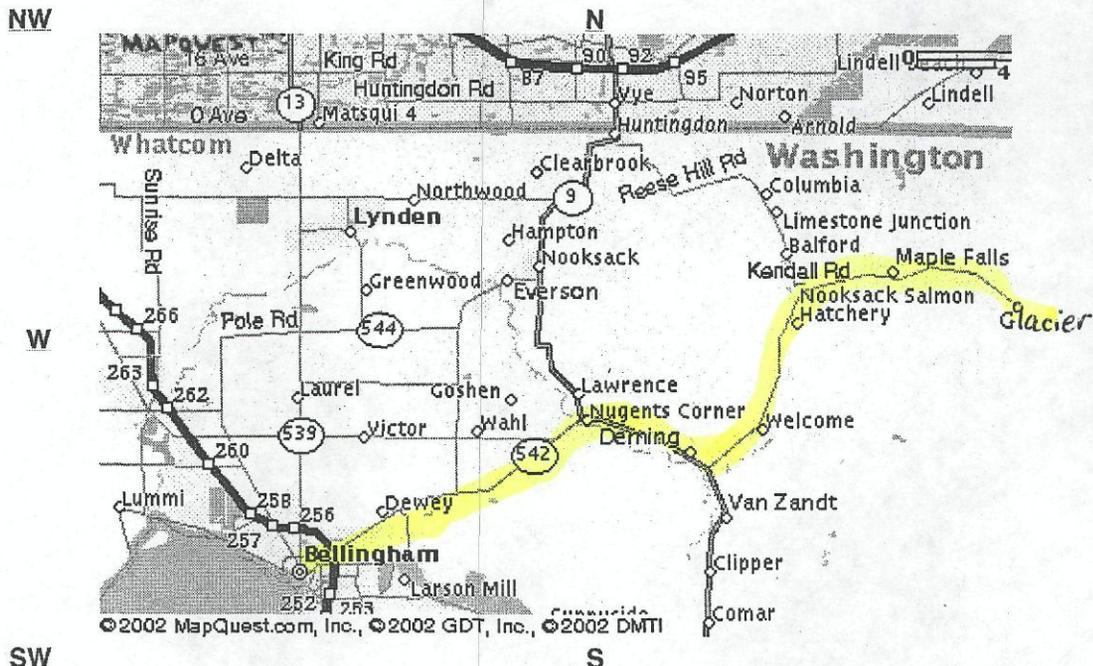
City (e.g., Washington)

Zip

State *Required*
 Select a State

Listing:

Contemporary Design Co
 10005 Mt Baker Hwy
 GLACIER WA 98244
 360-599-2833



Center Zoom In Zoom Out Identify Icon



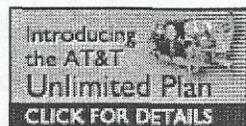


Which of these can trigger an asthma attack?

Home Yellow Pages White Pages Reverse Lookup Toll-Free International Links Search the V

Need a Map or Driving Directions? Use the search form below to find the information you need.

Promotions



Find a Map

Street (e.g., 1600 Pennsylvania Ave)

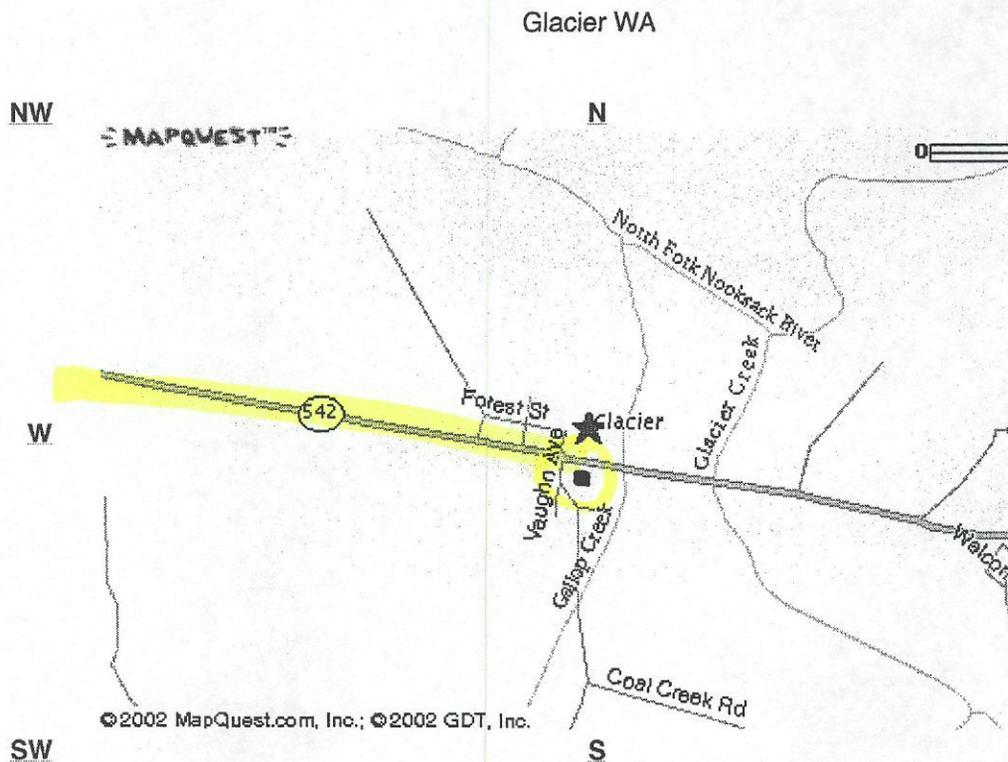
City (e.g., Washington)

Zip

State Required Select a State

Find It

Listing:



Center Zoom In Zoom Out Identify Icon



Firchau Mining L.L.C.
Renee Everett
428 Stow Ave S. #2
North Bend, Wa 98045
425-831-7430

April 10, 2003

Washington State Dept. of Ecology
3190 160th Ave SE
Bellevue, Wa 98008-5452
425-649-7000

Section 4 for
Commercial
Consumption

Supplement to Attached Water Rights Application

We are in the process of investigating and exploring the following sections in order to find the sections that will be used for commercial consumption. We might be changing and/or adding the following to the attached Water Rights Application.

That part of the unplatted portion of Lot 2 lying South of the Mt. Baker Highway and East of Gallop Creek; the Southeast quarter of the Northeast quarter, except 2 acres sold to Jonnie Gallop by deed dated September 10, 1913; all that unplatted portion of the Northwest quarter of the Northeast quarter lying on the Southerly side of the Bellingham and Northern Railroad right of way, EXCEPTING and reserving 1 acre conveyed to the Whatcom County Railway and Light Company which acre is shown on the plat of the Town of Glacier; all of that portion of the Northeast quarter of the Northwest quarter lying on the southerly side of the Bellingham and Northern Railroad right of way; Lots 3 and 4 (being the West half of the Northwest quarter); the Southeast quarter of the Northwest quarter; the Southwest quarter of the Northeast quarter, EXCEPTING water rights reserved by George W. A. Hinton and wife in a deed dated April 17, 1930; Lots 6 and 7 and the East half of the Southwest quarter; Southeast quarter, all in Section 7, Township 39 North, Range 7 East, W.M., containing 575.09 acres, more or less.

Lots 5 and 6 and the south one-half of Southwest quarter of Section 8, Township 39 North, Range 7 East, W.M.

Please contact me if you have any questions or concerns.

Thank you



Renee Everett

EXHIBIT A
GLACIER/FIRCHAU MINING LEASE

LEGAL DESCRIPTION

Southwest quarter of the Southwest quarter; West half of the Southeast quarter of the Southwest quarter; Southeast quarter of the Southeast quarter of the Southwest quarter and that portion of the West half of the Northeast quarter of the Southwest quarter of Section 1, lying South of the right of way of the Bellingham and Northern Railroad, Township 39 North, Range 6 East, W.M., containing 85 acres more or less;

That part of the unplatted portion of Lot 2 lying South of the Mt. Baker Highway and East of Gallop Creek; the Southeast quarter of the Northeast quarter, except 2 acres sold to Jonnie Gallop by deed dated September 10, 1913; all that unplatted portion of the Northwest quarter of the Northeast quarter lying on the Southerly side of the Bellingham and Northern Railroad right of way, EXCEPTING and reserving 1 acre conveyed to the Whatcom County Railway and Light Company, which acre is shown on the plat of the Town of Glacier; all of that portion of the Northeast quarter of the Northwest quarter lying on the southerly side of the Bellingham and Northern Railroad right of way; Lots 3 and 4 (being the West half of the Northwest quarter); the Southeast quarter of the Northwest quarter; the Southwest quarter of the Northeast quarter, EXCEPTING water rights reserved by George W. A. Hinton and wife in a deed dated April 17, 1930; Lots 6 and 7 and the East half of the Southwest quarter; Southeast quarter, all in Section 7, Township 39 North, Range 7 East, W.M., containing 575.09 acres, more or less.

Lots 5 and 6 and the south one-half of Southwest quarter of Section 8, Township 39 North, Range 7 East, W.M.

Northwest quarter of the Northeast quarter and South half of the Northeast quarter; Southeast quarter, East half of the Northwest quarter; the Northeast quarter of the Southwest quarter, and South half of the Southwest quarter, all in Section 12, Township 39 North, Range 6 East, W.M., containing 488 acres, more or less.

All of Section 13, Township 39 North, Range 6 East, W.M.;

Northeast quarter of the Northeast quarter of Section 14, Township 39 North, Range 6 East, W.M.;

Undivided 1/5 interest in Lots 6 and 7, and the West half of the Southwest quarter of Section 16, Township 39 North, Range 7 East, W.M.

West half and an undivided 1/5 interest in the Southeast quarter, all in Section 17, Township 39 North, Range 7 East, W.M.

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Whatcom County, WA

Request of: ROBERT BETTS

Southeast quarter, Lots 3 and 4, and the East half of the Southwest quarter, all in Section 19, Township 39 North, Range 7 East, W.M.;

East half and Lots 3 and 4 and West half of Southwest quarter of Section 18, Township 39 North, Range 7 East, W.M.;

Northwest quarter, Southeast quarter, and the undivided 1/5 interest of the Northeast quarter of Section 20, Township 39 North, Range 7 East, W.M.;

Undivided 1/5 of the Northwest quarter of Section 21, Township 39 North, Range 7 East, W.M.;

All of section 24, Township 39 North, Range 6 East, W.M.;

Undivided 19/20 interest in Section 29, Township 39 North, Range 7 East, W.M.;

Southeast quarter, East half of the Southwest quarter, and Northeast quarter of Section 30, Township 39 North, Range 7 East W.M.;

ALSO, Government Permits on the following described lands:

All of Section 25, Township 39 North, Range 6 East, W.M.;

All of Section 26, Township 39 North, Range 6 East, W.M.;

Lots 7 and 8, Section 8; Lot 2, Section 9; Lots 2 and 3, Section 16; the Northeast quarter of Section 17; Lots 6 and 7, the Southwest quarter of Section 21; Lots 2, 3, 6, 7, and the West half of Section 28; all in Township 39 North, Range 7 East, W.M. (1037.30 acres), containing in all approximately 2,317.30 acres in Government permits.

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Whatcom County, WA

WHEN RECORDED RETURN TO:

Robert I. Betts
Egger Betts Austin, p.l.l.c.
P.O. Box 53050
Bellevue, WA 98015-3050



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Whatcom County, WA

Request of: ROBERT BETTS

COVER SHEET
MINING LEASE

Grantor: Glacier Land Company

Grantee: Firchau Mining, L.L.C.

Legal Description: Portions of Sections 1, 7, 8, 12, 13, 14, 16, 17, 19, 20, 21, 24, 25, 26, 29 and 30, Township 39 North, Range 7 E.W.M., Whatcom County, Washington.

Tax Parcel Numbers: 390601-125075-0000, 390601-164191-0000,
390612-290237-0000, 390613-260272-0000,
390614-454460-0000, 390624-270273-0000,
390708-107105-0000, 390716-143140-0001,
3907717-124276-000, 390717-385146-0001,
390718-373158-0000, 390719-259142-0000,
390720-159372-0000, 390720-386391-0001,
390729-254254-0000, 390721-124407-0001,
390730-378201-0000, 390707-196205-0000,
390707-396446-0000, 390707-494391-0000

Recording Number Affected by this Document: None

MINING LEASE

THIS LEASE, is made this 5th day of April, 1998⁹, between GLACIER LAND COMPANY, a Washington corporation, ("Lessor"), and FIRCHAU MINING, L.L.C., a Washington limited liability company, ("Lessee").

1. Grant of Lease. In consideration of the mutual benefits and obligations set forth in this Agreement, Lessor leases to Lessee for a term expiring December 31, 2035 the sole and exclusive right of mining and removing any and all coal as well as any other minerals from the real estate described in Exhibit "A" as attached hereto and made a part hereof (the "Real Estate"). This includes the use, possession and control of so much of the surface of the Real Estate as may be reasonably necessary to the Lessee in carrying out its operations hereunder. Lessee may in connection with the mining operation:

1.1 Enter upon the Real Estate at all times to conduct mining or extractive operations thereon and therein.

1.2 Subject to Paragraph 3 of this Agreement, use so much of the surface as may be necessary for mining or extracting operations, including the maintenance thereon of buildings, structures, tracts and belt conveyors for the transportation of coal or other minerals.

1.3 Cut such timber as may be required in order that the mining or extracting operations, including coal stripping, may proceed without hindrance; provided, however, that the timber shall be felled in accordance with standard logging practices and, after being felled, such timber shall be moved only to the extent required by the mining or extracting operations and to avoid damage to the timber as much as reasonably possible, and the felled and/or moved timber shall not be covered by dirt or debris and, further provided, however, that no such timber shall be cut unless the timber is not cut and removed from the area of the mining operations by the timber owner within 30 days after written notice from the Lessee to the timber owner to cut and remove the timber. Nothing in this Agreement shall be construed as allowing the Lessee any rights in timber greater than those allowed to Lessor under that certain timber deed dated May 8, 1958, by National Bank of Commerce of Seattle, Trustee, to Puget Sound Pulp and Timber Company, a Delaware corporation, recorded May 9, 1958, under Auditor's File No. 855370, records of Whatcom County (the "Timber Deed"). All rights of Lessee shall be subject to and subordinate to the rights reserved under that recorded timber deed.

1.4 Subject to the Timber Deed, cut and remove trees up to and including 8" butts for use in the mining operations.

1.5 Subject to the Timber Deed, build and construct necessary roads for the convenience of the mining or extracting operations, which roads may be used by the

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holder of the Timber Deed so long as such use does not unduly interfere with the use of the roads for the mining or extracting operations, and provided the roads are maintained by the holder of the Timber Deed to the extent of their use of the roads.

1.6 Use in the mining or extracting operations such roads as may now or hereafter be constructed upon the lands for the logging and transportation of timber as long as such use shall not unduly interfere with the use of the roads for logging purposes and provided the roads are maintained by the Lessee to the extent of its use of the roads.

1.7 Use on the Real Estate any building materials, topsoil, sand, stone, water or other materials found thereon that the Lessor may own, generally to make any use of the Real Estate which Lessee requires in carrying on its mining-and other related operations.

1.8 Drive any drift, tunnel, slope, shaft, room, entry or aircourse to any of the outside boundaries of the properties and over, under or on the surface of the Real Estate for mining or extracting facilities.

The rights granted Lessee by this lease are in all cases limited to those reasonably necessary for the mining of coal and the extraction of other minerals and to conduct in and upon the demised premises, and operate thereon such enterprises as are common and generally accepted as incidental to a mining or other extractive activity, or the processing of coal, coal by-products, coal derivatives, or other minerals. Lessor reserves all other rights in the land not expressly granted herein.

2. Conduct of Lessee. Lessee agrees to faithfully comply with reasonable diligence with all applicable laws of the State of Washington, and rules and regulations issued pursuant thereto relating to mining or extracting, including but not limited to the obtaining of all required permits, the furnishing of bonds, and the restoration of the surface, and the Lessee reserves unto itself the benefits of all such laws.

3. Staging Area. Lessor and Lessee agree that Lessee shall have the right to occupy up to a five acre portion of the Real Estate for use as a processing facility, storage yard for minerals, a transportation staging area, and equipment storage, repair and maintenance. The location of this area shall be by mutual agreement, but shall be in an area which does not unduly interfere with the Lessor's timber operation and which is accessible to a public highway. As compensation for such right, Lessee shall pay to Lessor a rent equal to the greater of (a) ten cents (\$0.10) per ton of coal actually sold by Lessee or (b) two percent (2%) of the Adjusted Gross Receipts of Lessee from the sale of coal or other minerals. "Adjusted Gross Receipts" means the gross revenues from the coal or other organic or inorganic mineral sales reduced by any severance or gross receipts taxes paid on the coal or minerals sold and less any refunds made by Lessee to any customer. As used herein "ton" means two thousand two hundred forty (2,240) pounds) of coal. The rental payments are to be made quarterly with each payment made within thirty (30) days after the end of each quarter. The Lessee shall,

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with each rental payment. furnish to Lessor a report showing the quantity of coal or other minerals sold during the preceding calendar quarter, together with duplicate weight tickets furnished by or to the Lessee regarding trucking or railway charges on tonnage of coal or minerals shipped.

Lessee shall keep books of account of the shipping of coal or minerals and the books shall be open at reasonable times and places for the inspection of the Lessor, its agents or attorneys, or other persons in its behalf for the purpose of comparing and verifying the rental paid by Lessee.

4. Term. This lease shall continue in effect until December 31, 2035, provided that Lessee may terminate the lease earlier without reason by recording a Notice of Termination and serving the Notice on the Lessor. Lessee shall not have any obligation to remove any minimum amount of coal or other minerals under the Lease.

5. Royalties. Except for the lease payment described in Paragraph 3 of this Lease, Lessee shall not be required to pay any royalties or other lease consideration to Lessor.

6. Waste Material. Lessee may locate dumps for the disposal of refuse and waste material at such locations as may be approved by the State of Washington, and which will reasonably preserve the surface of the Real Estate, and shall use reasonable means to minimize the falling or carrying of such refuse or waste material including spoil banks, into any stream of water by the action of the elements or otherwise; and that it will cause all flammable refuse produced or resulting from its operation hereunder to be so placed as to minimize the danger of fire to the timber, trees, undergrowth and reproduction on the surface of the Real Estate, and Lessee shall indemnify and hold and hold Lessor harmless from any expenses, suits or claims for damages arising or resulting from its failure- to fully comply with its obligations hereunder, and/or with the requirements and obligations imposed relative to the laws of the State of Washington pertinent to the mining operation.

Lessee agrees that it will not create or bring upon the Real Estate any materials defined to be hazardous materials or hazardous waste under any applicable state or federal law. Lessee agrees to indemnify and hold Lessor harmless from any state or federal law regulating hazardous wastes.

7. Engineering. Upon commencement of mining, Lessee shall employ an experienced and competent licensed Mining Engineer whose duties shall be to make surveys, determine elevations, prepare the plans and maps provided for herein, give directions and courses for all entries, airways, rooms and other mine workings.

8. Assignment. This lease shall not be assigned without the written consent of the Lessor, and no legal representative, administrator, receiver, master, sheriff, trustee in bankruptcy or other assignee by operation of law shall assign without such written consent, and the insolvency, bankruptcy or appointment of a receiver by or for the Lessee shall at the option of the Lessor immediately terminate this lease. If the Lessor consents to the assignment

of this lease, the Lessee shall be relieved of all obligations to the Lessor under this Agreement. This paragraph shall not prohibit Lessee: (a) from selling, assigning or transferring the mining or extracting operation to, or causing the mining or extracting operation to be operated by any affiliated company; (b) from signing mortgages or deeds of trust upon its leasehold estate and all rights of Lessee hereunder, subordinate, however, to all the rights of Lessor; (c) nor shall Lessee be prohibited from merging or consolidating with another company whereby the surviving company acquires all or substantially all of Lessee's assets and assumes Lessee's obligations hereunder. This paragraph shall not preclude Lessee from entering into arrangements with independent contractors for the mining and removal of the coal or other minerals hereunder or processing any derivative therefrom, provided that Lessee shall at all times be held responsible to Lessor for the performance by and of the independent contractors.

9. Insurance. Lessee shall keep all the improvements, fixtures, structures, merchandise, mining machinery and equipment and supplies, and generally all insurable property used by Lessee on the Real Estate adequately insured and to name Lessor as a loss payee to the extent of the Lessor's interest in the property.

10. Removal of Property. The Lessee, within six (6) months after the termination of this lease, shall remove from the Real Estate all its mining plants, equipment, supplies, and other property of every kind owned by the Lessee.

11. Arbitration. If any dispute arises between Lessor and Lessee regarding any provision of this lease, the dispute shall be submitted in writing by each party to the decision of arbitrators to be chosen as follows. Either party may select one arbitrators, and serve written notice on the other party of such election. The other party shall then, within twenty (20) days after the receipt of such notice, select another arbitrator and give notice thereof in writing to the other party. The two said arbitrators thus chosen shall choose the third arbitrator. A decision of a majority of the arbitrators rendered in writing shall be binding and conclusive upon the parties and shall determine the question or questions submitted in writing to them for their decision. If either party fails or refuses to select an arbitrator within twenty (20) days after receiving notice so to do, then the arbitrator selected by the other party shall proceed to select a disinterested and competent person to act with him as arbitrator, and the two shall then select a third person to act with them, and the decision of a majority of the three so selected shall be binding and conclusive as to the matter in dispute and difference which may be submitted to them in writing; provided, however, at least five (5) days notice shall be given to the party who has failed to select an arbitrator, of the time and place of the hearing of such dispute or matter before the arbitrators. All the arbitrators shall be disinterested persons and familiar with the business of mining coal.

If the arbitrators are unable to agree as to the third arbitrator, then the selection of the third arbitrator shall be made by a Judge of the United States District Court of the Western District of Washington.

An arbitration, if demanded by either Lessor or Lessee, shall be a condition precedent to any suit, action or proceeding to enforce or determine any disputed right, duty or obligation arising hereunder.

12. Notice. The giving of any notice to or the making of any demand on Lessee under the provisions hereof, shall be sufficient, if in writing, addressed to the Lessee and mailed by United States mail, certified mail, return receipt requested to

Firchau Mining, L.L.C.
c/o Rene Everett
415 Healy Avenue, #4
North Bend, WA 98045, with a copy to:

Robert I. Betts
Egger Betts Austin, P.L.L.C.
P.O. Box 53050
Bellevue, WA 98015-3050

or such other address as Lessee may from time to time serve in writing on Lessor.

The giving of any notice to or the making of any demand on Lessor under the provisions hereof shall be sufficient, if in writing, addressed to the Lessor and by United States mail, certified mail, return receipt requested, to:

Glacier Land Company,

_____, WA 98____, or such other address as Lessor may from time to time serve in writing on Lessee.

Thirty (30) days notice shall be considered a reasonable notice or demand, except as herein otherwise provided.

13. Binding Effect. All of the terms and conditions of this Agreement shall be binding upon the parties and their successors, assigns and legal representatives.

14. Indemnity. Lessee agrees that if Lessor is involuntarily made a party defendant to any litigation concerning this lease of the property not due to any act or omission of Lessor, Lessee will hold Lessor harmless from any expenses reasonably incurred in defending such action. Lessee shall hold Lessor held harmless by Lessee from all liability and complaints for damages by reason of any injury to any person or property while in or upon the Real Estate in conjunction with any mining or extracting operation conducted by Lessee. During any period in which the Lessee is conducting any mining or extracting operations on the Real Estate Lessee shall, at its own expense, carry in full force and effect public liability insurance covering the Lessor as well as Lessee in an amount to give reasonable protection from loss to

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Whatcom County, WA

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both Lessor and Lessee. A copy of a certificate showing such insurance shall be delivered to Lessor before commencement of the physical mining activities.

15. Eminent Domain. If during this lease, the legal title, equitable title or any portion of any of the rights to the Real Estate or improvements or structures under or above the Real Estate be taken, appropriated under a power of eminent domain or like power, Lessee shall be entitled to the share of the proceeds attributable to the coal reserves or mining property and the Lessor shall be entitled to the balance of the proceeds. Lessee shall be entitled to participate in the proceedings to assure that an adequate amount is assigned to the coal and/or mineral reserves.

16. Preservation of Rights. The Lessee may institute any type of proceeding or suit against third parties at no cost to Lessor to clarify, extend or establish rights to Lessee which it deems convenient, necessary, or required in the furtherance of the business objectives of Lessee, and Lessor hereby consents to such action or actions, including, but not limited to, contests of taxes, assessments, charges or quiet title actions, by Lessee or its assigns, and Lessor will join with Lessee when requested and give assistance and sign all documents reasonably requested by Lessee in connection with said actions. Lessor will provide written notice to Lessee within five (5) business days from receipt of any tax assessment, lien, charge, claim or levy so that Lessee may make a timely protest or contest of the validity or propriety of any claim connected with any of Lessee's rights in its operations on or off of the devised premises. Nothing herein contained shall require Lessee to pay any taxes of any kind assessed against Lessor.

17. Integration. This lease contains the entire contract between the parties. No oral representations, promises or undertakings shall affect, vary or modify the terms of this lease in any particular.

18. Default. If Lessee fails to pay any payment when due hereunder to Lessor or to timely perform any obligation under this Lease and such default continues for a period of 120 days after a written notice is given to Lessee, demanding such payment or performance, then Lessor shall have the right at its option to terminate this lease and to retake possession of all of the property leased and to eject Lessee therefrom and upon such termination there shall be no further rights accruing between the parties and they will forthwith settle between them and pay the obligations then accrued and existing between them. If Lessee remedies such default after service of such notice, Lessee shall also pay Lessor's reasonable expenses to prepare and serve said notice, plus interest on any payment past due at the highest legal rate from the date due until paid, and until such sums are paid, the default shall not be remedied.

The provisions of this Paragraph 18 are remedies which are in addition to the rights of either party to sue the other for performance of the obligations hereunder. In the event of any such suit or action, the prevailing party shall be entitled to reasonable attorneys fees from the losing party, collectible as costs of suit.

19. Memorandum of Lease. The parties agree that a Memorandum of Lease in the form attached hereto as Exhibit B shall be recorded in lieu of recording the original of this Lease Agreement.

IN WITNESS WHEREOF, the parties hereto have this Lease on the day and year first above written.

GLACIER LAND COMPANY

By: *Rick Sande*
Its President

FIRCHAU MINING, L.L.C.

By: *Renee S. Everett*
Rene S. Everett, its Manager

By: *Leslie E. Firchau*
Leslie E. Firchau, its Assistant Manager

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Oregon
STATE OF WASHINGTON)
Multnomah) ss
COUNTY OF WHATCOM.)

On this 5th day of April, 1998, before me, the undersigned, personally appeared Rick Snyden, to me known to be the President of Glacier Land Company, the corporation that executed the Lease Agreement, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to sign the said instrument.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.



Kari L. Skyles
(Print Notary's Name)

Notary Public in and for the State of Washington
residing at: PIV 4 level

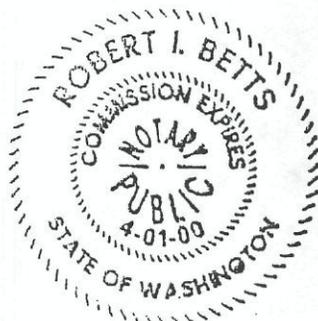
My Commission Expires: April 22, 2002

STATE OF WASHINGTON)
) ss
COUNTY OF KING)

On this 23rd day of April, 1998, before me, the undersigned, personally appeared Rene S. Everett, to me known to be the Manager of Firchau Mining, L.L.C., the Washington limited liability company that executed the foregoing Lease Agreement, and acknowledged the said instrument to be the free and voluntary act and deed of the limited liability company, for the uses and purposes therein mentioned, and on oath stated that she was authorized to execute the said instrument.

and
c/o Leslie Firchau,
to me known to
be the president
of Firchau Mining
L.L.C.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.



Robert I. Betts
Robert I. Betts
(Print Notary's Name)

Notary Public in and for the State of Washington
residing at: Redmond

My Commission Expires: April 1, 2000