

ADDENDUM 303.o-10

SPRING CREEK MINE

MONTANA COAL LEASE C1088-15

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION

TRUST LAND MANAGEMENT DIVISION



STEVE BULLOCK, GOVERNOR

1539 ELEVENTH AVENUE

STATE OF MONTANA

DIRECTOR'S OFFICE: (406) 444-2074
FAX: (406) 444-2684

PO BOX 201601
HELENA, MONTANA 59620-1601

March 25, 2020

Arrowhead I LLC
Spring Creek Coal LLC
c/o Gilbert Nathan
15 Sandhopper Trail
Westport, CT 06880

Navajo Transitional Energy Company, LLC
385 Interlocken Crescent, Suite 400
Broomfield, CO 80021

RE: Assignment of State of Montana Coal Leases C-1093-16, **C-1088-15**, C-1099-00, C-1100-00, and C-1101-00 from Arrowhead I LLC and from Spring Creek Coal LLC to Navajo Transitional Energy Company, LLC

Dear Assignor and Assignee:

Enclosed are your approved assignments for the above referenced coal leases. Our records now reflect the following lease ownership:

Navajo Transitional Energy Company, LLC 100%

If you have any questions or do not agree with our records, please contact Trevor Taylor at TTaylor2@mt.gov or (406) 444-9518.

Sincerely,

Julie Mason

Julie Mason, Supervisor
Mineral Leasing Section
Minerals Management Bureau

Enclosures

PLEASE RETURN IN TRIPLICATE WITH ORIGINAL SIGNATURES
**ASSIGNMENT OF STATE OF MONTANA
COAL LEASE**

Montana Coal Lease Number C-1088-15 Township 8 S Range 39 E Section 36

(Description) All of Section 36

Big Horn County, Montana, containing 640 acres, more or less.

For consideration received, Spring Creek Coal LLC, the undersigned assignor, now being the holder of 100 % of the entire working interest of the above-described State of Montana Coal Lease, hereby assigns to Navajo Transitional Energy Company, LLC

100 % of the entire working interest in and under the above described State of Montana Coal Lease.

If less than 100% of the entire working interest
of the lease is assigned, the designated agent is:

ASSIGNOR: N/A A N/A

BY: Heath A. Hill

DATE: 10/24, 20 19

(Must be a current lessee)

ASSIGNOR'S ACKNOWLEDGEMENT

STATE OF Colorado)

County of Broomfield)

ss:

On this 24 day of October, 20 19, before me, the undersigned, a Notary Public for the State of Colorado, personally appeared Heath A. Hill, known to me to be (check personal or corporate and fill in corporate assignor's title, as appropriate):

☐ PERSONAL: the person(s) whose name(s) is (are) subscribed to the foregoing coal lease assignment, and acknowledged to me that he (she) (they) executed the same.

☒ CORPORATE: the CEO of the corporation that executed the within instrument and acknowledged to me that such corporation executed the same.

In WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal the day and year first above written.



Stephanie A. Houston
Notary Public for the State of Colorado
Residing at 385 Interlocken Crescent, Broomfield
My Commission expires 4/19/22

ASSIGNEE'S ACCEPTANCE OF OBLIGATIONS

The assignee of the interest conveyed above hereby accepts the rights, duties, and obligations inherent in the working interest ownership of the above-described State of Montana Coal Lease.

ASSIGNEE: [Signature]

BY: Clark Moseley

DATE: 10/29, 20 19

ASSIGNEE'S ACKNOWLEDGEMENT

STATE OF Colorado)

County of Broomfield)

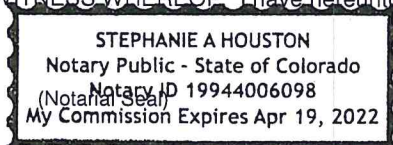
ss:

On this 29th day of October, 20 19, before me, the undersigned, a Notary Public for the State of Colorado, personally appeared Clark Moseley, known to me to be (check personal or corporate and fill in corporate assignee's title, as appropriate):

☐ PERSONAL: the person(s) whose name(s) is (are) subscribed to the foregoing coal lease assignment, and acknowledged to me that he (she) (they) executed the same.

☒ CORPORATE: the CEO of the corporation that executed the within instrument and acknowledged to me that such corporation executed the same.

In WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal the day and year first above written.



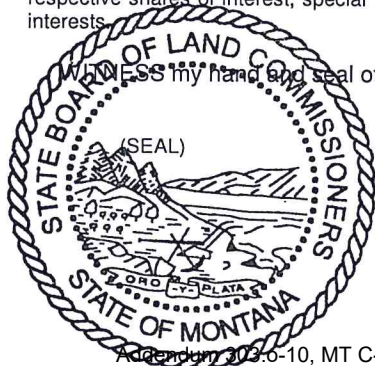
Stephanie A. Houston
Notary Public for the State of
Residing at
My Commission expires 4/19/22

APPROVAL OF ASSIGNMENT

On behalf of the State Board of Land Commissioners, I, John E. Tubbs, the Director of the Department of Natural Resources and Conservation, hereby approve the foregoing State of Montana Coal Lease Assignment, as a transfer of title only and without recognition of respective shares of interest, special terms and conditions, any assignment of lease obligations and responsibilities, overriding royalties or other interests.

In WITNESS my hand and seal of the State Board of Land Commissioners hereunto affixed this date MAR 24 2020

John E. Tubbs by Monte & Mason
Director of the Montana Department of Natural Resources and Conservation



November 7, 2019

Lindsay Thane

Admitted in Oregon, Washington and
Montana

T: 503-796-2059

C: 406-214-1918

lthane@schwabe.com

VIA UPS OVERNIGHT

Montana Department of Natural Resources and Conservation
Trust Land Management Division
1539 Eleventh Avenue
Helena, MT 59601

RE: Assignment of State Coal Leases: 1088-15, 1099-00, 1100-00, 1101-00, and 1093-16

To Whom it May Concern:

Please accept the enclosed assignments of Montana Coal Leases: 1088-15, 1099-00, 1100-00, 1101-00, and 1093-16. The assignments are submitted in triplicate with original signatures. These assignments are filed on behalf of Navajo Transitional Energy Company, LLC ("NTEC"). NTEC's mailing address is 385 Interlocken Crescent, Suite 400, Broomfield, CO 80021.

Enclosed with this letter is a filing fee of \$125.00, which is \$25.00 for each of the five leases requested for assignment.

If you have questions regarding these forms or if additional information is needed, please contact me at the email or telephone number listed above.

Sincerely,



Lindsay Thane

LTH:lmr

Enclosures

cc: Brien Flanagan (w/ encl. via email)
Sarah Lawson (w/ encl. via email)
Darryl Maunder (w/ encl. via email)
Debbie Bruse (w/ encl. via email)

PDX\130242\225409\LTH\26519454.1

STATE OF MONTANA

COAL LEASE RENEWAL

Lease No. C-1088-15

This indenture of lease, made and entered into between the State of Montana, by and through its lawfully qualified and acting State Board of Land Commissioners, hereinafter referred to as "Lessor", and the person, company or corporation herein named, hereinafter referred to as "Lessee", under and pursuant to the authority granted Lessor by the terms and provisions of Section 77-3-301, et seq., MCA, all acts amendatory thereof and supplementary thereto, and all rules adopted pursuant thereto, is for the purpose of renewing State of Montana Coal Lease No. C-1088-05.

WITNESSETH:

The Lessor, in consideration of the rents and royalties to be paid and the conditions to be observed as hereinafter set forth does hereby grant and lease to the Lessee, for the purpose of mining and disposing of coal and constructing all such works, buildings, plants, structures and appliances as may be necessary and convenient to produce, save, care for, dispose of and remove said coal, all the lands herein described as follows:

Date this renewal Lease takes effect: December 20, 2015
Name of Lessee: Spring Creek Coal LLC
505 South Gillette Ave
Caller Box 3009
Gillette, Wyoming 82717

Land located in Big Horn County

Description of land: Township 8 South, Range 39 East
Section 36: All

Total Number of Acres: 640.00, more or less, belonging to Common School grant.

Annual rental, payable in advance: \$3.00/acre.

Production Royalties: 12.5% Gross Sales f.o.b. at the mine, subject to the provisions of Paragraph 4 of this lease

TO HAVE AND TO HOLD the said premises for a term of ten (10) years, together with the right, provided Lessee has complied with all of the terms and conditions hereof, to lease said land for additional, successive ten-year terms. If Lessee shall elect to extend this Lease, Lessee shall so notify Lessor in writing at least ninety (90) days prior to the expiration of this renewal term, or any subsequent renewal term, as the case may be. Lessor expressly reserves the right to reasonably readjust and fix royalties and rentals payable hereunder and other terms and conditions of this Lease in the event Lessee exercises its right to renew. Unless Lessee files objections to the proposed terms or a relinquishment of the Lease within thirty (30) days after receipt of the notice of proposed terms for the ensuing renewal, Lessee shall be deemed to have agreed to such terms.

IT IS MUTUALLY UNDERSTOOD, AGREED AND COVENANTED BY AND BETWEEN THE PARTIES TO THIS LEASE AS FOLLOWS:

1. RIGHTS RESERVED. Lessor expressly reserves the right to sell, lease, or otherwise dispose of any interest or estate in the lands hereby leased, except the interest conveyed by this Lease; provided, however, that Lessor hereby agrees that subsequent sales, leases or other dispositions of any interest or estate in the lands hereby leased shall be subject to the terms of this Lease and shall not interfere with the Lessee's possession or rights hereunder.

2. BOND. Lessee shall immediately upon the execution of this Lease furnish a surety bond acceptable to the Lessor in the amount of \$2,000.00 conditioned upon compliance with the provisions of this Lease, or, at the option of the Lessor, a cash deposit in the amount of \$10,000.00, or an irrevocable letter of credit in a form approved by Lessor drawn upon an approved bank in the same amount. All rentals, royalties and interest must be paid and all disturbance must be reclaimed to the satisfaction of Lessor prior to release of any bond. Additional bonding may be required, or reduced bonding allowed, whenever Lessor determines it is necessary, or sufficient, to ensure compliance with this Lease.

3. RENTAL. Lessee shall pay Lessor annually, in advance, for each acre or fraction thereof covered by this Lease, beginning with the date this Lease takes effect, \$3.00/acre as rental.

4. ROYALTY. Lessee shall pay Lessor in money or in kind at Lessor's option a royalty on every short ton (2,000 pounds) of coal mined and produced during the term of this Lease, calculated upon the f.o.b. mine price of the coal prepared for shipment, including taxes based on production or value. Lessee shall pay a royalty of 12.5% upon coal removed by strip, surface, or auger mining methods and a royalty of 10% for coal removed by underground mining methods. Royalty terms are subject to review and readjustment at Lease renewal as herein provided, but in no case shall the royalty for the coal mined be less than ten (10) percent of the f.o.b. price of a ton prepared for shipment. The f.o.b. mine price shall be calculated on the gross value from an arm's length sale to an unaffiliated third-party. If the point of sale to the unaffiliated third-party is remote from the mine, Lessee may utilize the higher of comparable sales at the mine to unaffiliated third-parties, for the same time period, or deduct the actual transportation costs between the point of sale and mine load-out facility. The resulting price shall never be less than the fair market value of the coal at the mine, prepared for shipment. Royalty payments and reports are due on or before the last day of the month for coal produced in the preceding calendar month and shall be reported on such forms as the Department may prescribe.

5. DILIGENCE. Lease premises is part of active mining unit. Lessee's remaining diligence requirement is satisfactory completion of mining and land reclamation.

6. OFFSETTING PRODUCTION. The obligation of Lessee to pay royalties under this Lease may be reduced by the Board for coal produced from any particular tract within the Lease upon a showing by Lessee to the Board that the coal is uneconomical to mine at prevailing market prices and operating costs unless Lessor's royalty is reduced. Under no circumstances may Lessor's royalty be reduced below 10% of the coal produced and sold f.o.b. the mine site,

prepared for shipment, including taxes based on production or value.

7. REPORTS. At such time and in such form as Lessor shall reasonably prescribe, Lessee shall furnish to Lessor reports, plats, and maps showing exploration data, development work, improvements, amount of leased deposits mined, contracts for sale and any other information with respect to the land leased which Lessor may require. Lessor agrees that Lessee may designate certain of the above materials as confidential, and Lessor shall agree to keep any information so designated strictly confidential if it determines that confidentiality is not unlawful.

8. INSPECTION. Representatives of the Lessor shall at all times have the right to enter upon all parts of the leased premises for the purposes of inspection, examination, and testing that they may deem necessary to ascertain the condition of the Lease, the production of coal, and Lessee's compliance with its obligations under this Lease. Representatives of Lessor shall also, at all reasonable hours, have free access to all books, accounts, records, engineering data, and papers of Lessee insofar as they contain information relating to the production of coal under this Lease, the price obtained therefor, and the fair market value of the production. Lessor shall also have free access to agreements relating to production of coal under this Lease. Lessor may copy at its own expense any book, account, record, engineering data, papers, or agreements to which it has access. Lessor agrees that Lessee may designate certain of its materials as confidential, and Lessor shall agree to keep any information so designated strictly confidential, including any such information that may appear in Lessor's auditor's or employee's notes, if it determines that confidentiality is not unlawful.

9. ASSIGNMENT. This Lease may not be assigned without the prior approval of Lessor in writing. Assignments must be made in accordance with ARM 36.25.311. Assignments may not extend the expiration date of this Lease.

10. TERMINATION. Lessee shall have the right to surrender and relinquish this Lease by giving written notice to the Board at least thirty (30) days previous to the anniversary date of the Lease. It is understood and agreed that the Lessor hereby reserves the right to declare this Lease forfeited and to cancel the same through the Board of Land Commissioners upon failure of Lessee to fully discharge all the obligations provided herein, after written notice from the Department and reasonable time fixed and allowed by it to Lessee for the performance of any undertaking or obligation specified in such notice concerning which Lessee is in default. Lessee, upon written application therefor, shall be granted a hearing on any notice or demand of the Department before the Lease shall be declared forfeited or canceled.

11. SURRENDER OF PREMISES. Upon the termination of this Lease for any cause, Lessee shall surrender possession of the leased premises to Lessor subject to Lessee's right to re-enter, hereby granted at any time within six (6) months after the date of such termination, for the purpose of removing all machinery and improvements belonging to Lessee except those improvements as are necessary for the preservation of the mine or deposit, which shall become the property of Lessor. If any of the property of Lessee is not removed from the leased premises as herein provided, the same shall be deemed forfeited to Lessor and become its property.

12. PROTECTION OF THE SURFACE, NATURAL RESOURCES, AND IMPROVEMENTS. Lessee agrees to take such reasonable steps as may be needed to prevent

operations from unnecessarily: (1) causing or contributing to soil erosion or damaging any forage and timber growth thereon; (2) polluting the waters of springs, streams, wells, or reservoirs; (3) damaging crops, including forage, timber, or improvements of a surface owner; or (4) damaging range improvements whether owned by Lessor or by its grazing permittees or lessees; and upon any partial or total relinquishment or the cancellation or expiration of this Lease, or at any other time prior thereto when required by Lessor and to the extent deemed necessary by Lessor, to fill any sump holes, ditches and other excavations, remove or cover all debris, and, so far as reasonably possible, restore the stripped area and spoil banks to a condition in keeping with the concept of the best beneficial use, including the removal of structures as and if required. Lessor may prescribe the steps to be taken and restoration to be made with respect to lands of the Lessor and improvements thereon. Nothing in this section limits Lessee's obligation to comply with any applicable state or federal law, rule, or regulation.

13. TAXES. Lessee shall pay when due all taxes lawfully assessed and levied upon improvements, output of mines, or other rights, property or assets of the Lessee.

14. SUCCESSORS IN INTEREST. Each obligation hereunder shall extend to, and be binding upon, and every benefit hereof shall inure to the heirs, executors, administrators, successors and assigns of the respective parties hereto.

15. COMPLIANCE WITH LAWS AND RULES. This Lease is subject to further permitting under the provisions of Title 75 or 82, Montana Code Annotated. Lessee agrees to comply with all applicable laws and rules in effect at the date of this Renewal Lease, or which may, from time to time, be adopted and which do not impair the obligations of this Renewal Lease and do not deprive the Lessee of an existing property right recognized by law.

16. WATER RIGHTS. Lessee may not interfere with any existing water right owned or operated by any person. Lessee shall hold Lessor harmless against all claims, including attorney fees, for damages claimed by any person asserting interference with a water right.

17. MINE SAFETY. Lessee agrees to operate the mine in accordance with rules promulgated by the Mine Safety and Health Administration for the health and safety of workers and employees.

18. WASTE PROHIBITED. All mining operations shall be done in good and workmanlike manner in accordance with approved methods and practices using such methods to insure the extraction of the greatest amount of economically minable and saleable mineral, having due regard for the prevention of waste of the minerals developed on the land, the protection of the environment and all natural resources, the preservation and conservation of the property for future use, and for the health and safety of workers and employees. If the Lessor has reasonable belief that the operations are not so being conducted, it shall so notify the Lessee in writing, and if compliance is not promptly obtained and the delinquency fully satisfied, the Lessor may at its option, after thirty (30) days' notice by certified mail to the Lessee, cancel the Lease pursuant to the provisions of section 10 of this Lease.

19. SURRENDER OF DATA. All geological data pertaining to the leased premises, including reports, maps, logs and other pertinent data regarding trust resources shall be given to

the Lessor upon surrender, termination, or expiration of the Lease. Bond will not be released until surrender of such data to the Lessor. All drill core unused or undamaged by testing shall be saved. Upon surrender, termination, or expiration of the Lease, Lessee shall contact the State Geologist, Montana Bureau of Mines and Geology, Butte, Montana to determine if such drill core is of interest to the State Geologist for the drill core library. Any drill core determined by the State Geologist to be of interest shall be forwarded by Lessee to the drill core library.

20. WEED CONTROL. Lessee is responsible for controlling noxious weeds introduced by its activities on the leased premises and shall prevent or eradicate the spread of noxious weeds onto land adjoining the leased premises.

21. SPECIAL CONDITIONS. None.

IN WITNESS WHEREOF, the State of Montana and the Lessee have caused this agreement to be executed in duplicate and the Director of the Department of Natural Resources and Conservation, pursuant to the authority granted her by the State Board of Land Commissioners of the State of Montana, has hereunto set her hand and affixed the seal of the said Board of Land Commissioners this ~~20th~~ day of ~~December~~ 20~~15~~

Lessee: SPRING CREEK COAL LLC

By: [Signature]

Its: Sr. Vice President Technical Services

Lessor: THE STATE OF MONTANA

Monte G Mason
Director, Department of Natural Resources & Conservation

By: MONTE G MASON

Its: Minerals Management Bureau Chief

March 31, 2014

To each of the Lenders party to the Credit
Agreement referred to below and PNC
Bank, National Association, as
Administrative Agent

c/o PNC Bank, National Association
Three PNC Plaza
225 Fifth Avenue, P3-P3PP04-4
Pittsburgh, PA 15222
Attention: Richard C. Munsick

Re: Title Opinion – State of Montana Coal Lease No. C-1088-05

Ladies and Gentlemen:

This title opinion ("Opinion") is rendered pursuant to Section 5.18 of that certain Credit Agreement dated as of February 21, 2014, among Cloud Peak Energy Resources LLC, a Delaware limited liability company (the "U.S. Borrower"), certain foreign subsidiaries of U.S. Borrower party described therein, the Guarantors party thereto, the Lenders party thereto, the Issuing Banks party thereto, PNC Bank, National Association as Administrative Agent and Swingline Lender, PNC Capital Markets LLC and Wells Fargo Securities, LLC as Joint Lead Arrangers and Joint Bookrunners, J.P. Morgan Securities LLC, Credit Suisse Securities (USA) LLC, Goldman Sachs Bank USA, Credit Agricole Corporate and Investment Bank and RBC Capital Markets as Co-Arrangers, Wells Fargo Bank, N.A. as Syndication Agent, and JPMorgan Chase Bank, N.A., Credit Suisse AG, Cayman Islands Branch, Goldman Sachs Bank USA, Credit Agricole Corporate and Investment Bank and Royal Bank of Canada as Joint Documentation Agents (the "Credit Agreement"). In rendering this Opinion we have examined the title materials listed in Appendix A hereto (the "Title Materials"), covering the following described land situated in Big Horn County, Montana (collectively, the "captioned land") and included in State of Montana Coal Lease No. C-1088-05 (sometimes called the "subject lease" or "Lease No. C-1088-05" herein):

Township 8 South, Range 39 East, P.M.M.
Section 36: All

containing a total of 640.00 acres, more or less.



I. OWNERSHIP

Based solely upon our examination of the Title Materials, and subject to the title comments and exceptions contained herein, we find title to the coal estate in the captioned land to be vested as follows:

A. Coal Mineral Estate and Leasing Rights Thereto:

State of Montana	100%
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B. Coal Under Lease To (State of Montana Coal Lease No. C-1088-05):

Working Interest:

Spring Creek Coal LLC	100%
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Production Royalty:

State of Montana	12.5% (surface mine)
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Overriding Royalty Interest:

Resource Development LLC	Amount unknown (1)
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(1) See Comment No. 1 in Part III of this Opinion regarding this overriding royalty interest.

II. LEASE INFORMATION AND ENCUMBRANCES

A. Coal Lease:

Set out below is a summary of significant terms contained in Lease No. C-1088-05:

State of Montana Coal Lease No. C-1088-05 (Renewal)

Lessor:	State of Montana, by and through its Board of Land Commissioners (sometimes called the “ <u>Board</u> ” herein)
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To each of the Lenders party to the Credit Agreement referred to below and PNC Bank, National Association, as Administrative Agent

March 31, 2014

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Lessee: Spring Creek Coal Company

Dated Effective: December 20, 2005
(Renewal of State of Montana Coal Lease No. C-1088-95, which was a renewal of State of Montana Coal Lease No. C-535-65)

Recorded: November 17, 2009 as Instrument No. 342088, in Book 108, Page 130 of the Big Horn County records

Lands Covered: Township 8 South, Range 39 East, P.M.M.
Section 36: All

containing a total of 640.00 acres, more or less.

Term: 10 years, together with the right, provided Lessee has complied with all lease terms, to lease said land for additional, successive 10-year terms.

Renewal: If Lessee elects to extend lease, it is required to notify Lessor in writing at least 90 days prior to expiration of this renewal term, or any subsequent renewal term, as the case may be.

Lessor expressly reserves the right to reasonably readjust and fix royalties payable hereunder and other terms and conditions of this Lease in the event Lessee exercises its right to renew. Unless Lessee files objections to the proposed terms or a relinquishment of the Lease within 30 days after receipt of notice of proposed terms for the ensuing renewal, Lessee shall be deemed to have agreed to such terms.

Production Royalty: 12.5% (coal produced by surface mining methods);
10.0% (coal removed by underground mining methods).



To each of the Lenders party to the Credit Agreement referred to below and PNC Bank, National Association, as Administrative Agent

March 31, 2014

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Surface mining royalty rate under this Lease is equivalent to the current federal surface mining royalty and shall be adjusted to remain equivalent to the federal rate. If federal surface mining royalty rate is lowered during the term of the Lease, the lower federal royalty rate will be immediately incorporated into the Lease, unless within 90 days after the federal royalty rate changes, the Board makes an affirmative finding that the lower rate will not achieve the full fair market value of the coal f.o.b. the mine. If the federal surface mining royalty rate is increased, the higher federal royalty rate shall immediately be incorporated into Lease, unless Lessee files an objection with the Board within 90 days from the date of federal royalty change. Subsequently, the Board will fix the royalty rate to determine full market value of the coal f.o.b. the mine. Royalty may not be adjusted below effective rate required by state statute.

Rentals: \$3.00 per acre per year.

Diligence: Failure to commence actual mining operations by the end of this Lease renewal term shall be deemed non-compliance with the diligence requirement of this paragraph and shall constitute grounds for denial of any future renewal request by Lessee. Mining operations is defined as actual mining or inclusion in a mine permit approved by the Montana Department of Environmental Quality.

Assignment: Lease may not be assigned without prior approval Lessor in writing. Assignments must be made in accordance with Admin. Rules Mont. §36.25.311.

State of Montana Coal Lease No. C-1088-05 appears to have been properly issued, and DNRC lists the status of said lease as “active” and “not producing.” The history of title with respect to the original lease (State of Montana Coal Lease No. C-535-65) and the renewal leases issued prior to Lease No. C-1088-05 is summarized in Appendix B attached hereto.



To each of the Lenders party to the Credit Agreement referred to below and PNC Bank, National Association, as Administrative Agent

March 31, 2014

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Articles of Merger dated September 15, 2008 between Spring Creek Coal Company, a Montana corporation, and Spring Creek Coal LLC, a Delaware limited liability company, were recorded on June 1, 2009 as Instrument No. 341213 in Book 105 at Page 374 of the Big Horn County, Montana records. Also, a Certificate by the Delaware Secretary of State dated September 16, 2008, with attached copy of Certificate of Merger of Foreign Corporation into Domestic Limited Liability Company, which merged Spring Creek Coal Company, a Montana corporation, with and into Spring Creek Coal LLC under the name of Spring Creek Coal LLC, a Delaware limited liability company, was recorded on November 17, 2009 as Instrument No. 342085 in the Big Horn County, Montana records. Documents relating to the merger were filed with DNRC, and the DNRC cover sheet for Lease No. C-1088-05 notes that Spring Creek Coal Company merged into Spring Creek Coal LLC effective September 15, 2008.

B. Lease Bond:

The Title Materials indicate that, as required by the terms of Lease No. C-1088-05, Spring Creek Coal Company filed with DNRC a lease bond in the amount of \$2,000.00 (Bond No. 14-95-24), with American Home Assurance Company as surety.

The Title Materials reflect that on March 5, 2010, DNRC received the following four replacement surety bonds issued by Spring Creek Coal LLC for the four State of Montana coal leases held by said company, with Argonaut Insurance Company as surety:

<i>Bond Number</i>	<i>Amount</i>
SUR0000380	\$1,000.00
SUR0000379	\$1,000.00
SUR0000378	\$1,000.00
SUR0000390	\$2,000.00

The Title Materials indicate that bond SUR0000390 was filed with respect to Lease No. C-1088-05. A letter dated April 8, 2010 from DNRC to Cloud Peak Energy states that that American Home Assurance Company Bond No. 14-95-24 is released.

C. Encumbrances:

The Title Materials did not reflect the existence of any unreleased mortgages or other encumbrances of record in Big Horn County, Montana affecting the leasehold interest of Spring Creek Coal LLC in Lease No. C-1088-05 or rights with respect thereto with the exception of the following financing statement:

UCC Financing Statement File No. 24022, filed February 15, 2013 as Instrument No. 346724, listing the debtor as Spring Creek Coal LLC, Cloud Peak Energy Receivables LLC as secured party/purchaser, and PNC Bank, National Association, as Administrator, as assignee of secured party. Said Financing Statement covers as-extracted collateral relating to real property including the subject lease.

We note in particular the following instruments with respect to prior encumbrances:

Release of Fee and Leasehold Mortgage, Assignment of Leases and Rents, Security Agreement, Fixture Filing and Financing Statement dated as of February 21, 2014 by Morgan Stanley Senior Funding, Inc., as Administrative Agent, recorded March 4, 2014 as Instrument No. 348376 in Book 129, Page 585 of the Big Horn County records (the "Morgan Stanley Mortgage Release"), releasing that certain Fee and Leasehold Mortgage, Assignment of Leases and Rents, Security Agreement, Fixture Filing and Financing Statement from Spring Creek Coal LLC, dated November 24, 2009 and recorded in Book 108 at Page 234 as Instrument No. 342119, as modified by that certain Amendment No. 1 to Fee and Leasehold Mortgage, Assignment of Leases and Rents, Security Agreement, Fixture Filing and Financing Statement dated June 27, 2011, recorded in Book 116 at Page 832, as Instrument No. 344443, Big Horn County, Montana.

Exhibit A to the Morgan Stanley Mortgage Release lists Lease No. C-1088-05 and describes all of the land covered by said lease. In addition, a UCC Financing Statement Amendment (Termination of File No. 24019) was filed on March 4, 2014 as Instrument No. 348377.

D. Liens

The Title Materials did not indicate that any unreleased liens were recorded in the Big Horn County, Montana records with respect to the captioned land during the period between issuance of the original lease (Lease No. C-535-65) in 1965 and March 10, 2014.

III. TITLE COMMENTS AND EXCEPTIONS

1. Overriding Royalty Reservation. The May 18, 1977 assignment of Lease No. C-535-65 (a predecessor lease to Lease No. C-1088-05) to Spring Creek Coal Company, contained the following reservation:

RESERVING, however, to RESOURCE DEVELOPMENT CO., INC.,
its successors and assigns, a royalty or overriding royalty which, when



To each of the Lenders party to the Credit Agreement referred to below and PNC Bank, National Association, as Administrative Agent

March 31, 2014

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added to the underlying royalty payable to the State of Montana and any other royalties applicable thereto, causes the cumulative royalties to equal the higher of (i) the maximum cumulative royalties pertaining to any federal lease in the States of Wyoming or Montana having the then highest cumulative royalties, or (ii) the highest cumulative royalties charged by lessors and sublessors to coal operators, as determined by recent transactions in the States of Wyoming or Montana.

First, while the language of the reservation is not entirely clear, we assume that the terms “maximum cumulative royalties” and “highest cumulative royalties” refer to the lessor’s production royalties and overriding royalties combined. With respect to clause (i), the amount of allowable overriding royalty on a federal coal lease was 50% percent of the royalty payable to the United States. The Federal Coal Leasing Amendments Act of 1976 (“FCLAA”), Pub. L. No. 94-377, 30 U.S.C. §§ 201 *et seq.* (1976), increased the royalty for coal mined by surface mining methods under new and readjusted federal coal leases to 12.5%. Thus, *if* one or more federal coal leases was issued or readjusted in either Montana or Wyoming between August 4, 1976 (when FCLAA became effective) and May 18, 1977, and *if* any such lease also was subject to the maximum overriding royalty, the calculation of overriding royalty under clause (i) of the Resource Development Co., Inc. reservation would be: 18.75% (i.e., 12.5% + 6.25%) less the production royalty payable to the State of Montana under Lease No. C-535-65 as of 1977 (15¢ per ton on lignite coal, and 17.5¢ per ton on sub-bituminous coal). However, we have no information as to the *actual* maximum royalty and/or overriding royalty in effect under federal coal leases in Wyoming or Montana as of May 18, 1977, which is what we interpret the calculation in clause (i) to require. Further, we are not aware of a method of making the clause (ii) calculation of “the highest cumulative royalties charged by lessors and sublessors to coal operators” in transactions in the States of Montana or Wyoming that were “recent” as of May 18, 1977. Since the reserved overriding royalty interest is the higher of that calculated under clauses (i) and (ii), we are unable to determine the amount of overriding royalty interest reserved by Resource Development Co., Inc. We thus recommend that, prior to commencement of production of coal from Lease No. C-1088-05, Spring Creek Coal Company and Resource Development LLC (the successor by merger to Resource Development Co., Inc.) stipulate as to the amount of overriding royalty interest in the subject lease held by Resource Development LLC, and that the stipulation be recorded in the Big Horn County records.

2. Evidence of Payments Relating to Subject Lease. The rental ledger history for Lease No. C-535-65 (1965 through 1994), Lease No. C-1088-95 (1995 through 2004) and Lease No. C-1088-05 (2005 through 2013) indicate that the rental payments due on December 20 of each subsequent lease year have been paid to DNRC, although some rental payments were credited a few days late. The rental ledger history for Lease No. C-535-65 also indicates that the

exchange lease fee that was due in 1972 was paid. The Title Materials reflect that Lease No. C-1088-05 is not in producing status.

3. Archeological Mitigation Plan. The lease file for Lease No. C-1088-05 contains email correspondence during the period between March and June 2010 between DNRC, BLM and Cloud Peak and its consultants relating to a Cultural Resources Inventory report for the proposed Pearson Creek mine expansion onto said lease and mitigation with respect to one archaeological site identified as “24BH1589” on Section 36, T. 8 S., R. 39 E. to comply with the mandates of the State’s Antiquities Act. The email correspondence and the attachments thereto include a proposed mitigation plan, and the DNRC archaeologist noted that “we should ensure that the proposed mitigation measures are implemented prior to authorizing ground disturbing work associated with the State Coal lease expansion proposal.” The lease file for the subject lease contains no further information with respect to this matter.

4. Requirement in Credit Agreement to Record Mortgage. We note that under Schedule 5.18 of the Credit Agreement, the U.S. Borrower is required, within 90 days after February 21, 2014 (or such longer period as is reasonably satisfactory to the Administrative Agent) to cause to be delivered to the Administrative Agent mortgages in proper form for recording with respect to each Material Real Property (as defined in the Credit Agreement) that have been duly executed by an authorized officer, notarized and delivered by the record owner of such Material Real Property. As of the date the real property records of Big Horn County, Montana were searched for purposes of this Opinion (which was substantially before the end of the specified 90-day period), no mortgage covering the subject lease was found of record.

5. Acquisition of Captioned Land by State of Montana. Pursuant to Acts of Congress, when Montana became a state in 1889, it received a school lands grant from the federal government of two sections of land in each township within the state – normally Sections 16 and Section 36. The conveyance of school lands including the captioned land to the State of Montana was confirmed in a patent by the United States to the State of Montana dated December 12, 1944 and recorded in Book 27 at Page 549 of the Big Horn County records. The patent did not contain a reservation of minerals by the United States. The Title Materials did not reflect the existence of any subsequent conveyance of the surface or mineral estate in the captioned land by the State of Montana.

6. Other Leases Granted by the State of Montana. The Board’s rules and the standard terms of a State of Montana coal mining lease specifically give the State of Montana the right to sell, lease or otherwise dispose of any interest in the land covered by a State coal lease; provided that subsequent sales, leases or any other dispositions of interest shall be subject to the terms of the coal mining lease and not interfere with the coal lessee’s possession or rights

thereunder. No examination of the records of DNRC or the Big Horn County records was made with respect to surface leases or leases for minerals other than coal granted by the State of Montana in connection with this Opinion. However, we note that the Title Materials include a June 2012 assignment from Consolidation Coal Company to Arrowhead I LLC of State of Montana Grazing Lease No. 143019 covering the captioned land.

7. Reliance on Landman's Title Searches. We have relied on searches of the DNRC records and the Big Horn County records by a landman, Patrick H. Beddow, as described in Appendix A, and copies of the documents obtained by him through such searches, in preparing this Opinion. For purposes of this Opinion, we necessarily have assumed that said searches correctly identified all relevant instruments recorded in the DNRC records and Big Horn County records with respect to the captioned land and subject lease for the periods covered by said examination. In this regard, we note that it is a common practice in preparing mineral title opinions to rely on a title search of agency records and county records by a landman or a land company.

8. Recorded Documents. Unless otherwise indicated, all recording references in this Opinion are to the real property records of Big Horn County, Montana.

9. Exceptions. This Opinion is based solely upon the Title Materials and is, therefore, necessarily subject to any materials not disclosed thereby, which might include particularly the following: (a) rights that would be shown by an accurate survey of the captioned land; (b) rights that would be shown by a careful inspection of the captioned land, and rights of all parties in actual possession of the captioned land or any part thereof, including in particular easements and rights-of-way not disclosed by the Title Materials; (c) voluntary or involuntary petitions in bankruptcy against the present owners or their predecessors in title; (d) any zoning, environmental or land use regulations or restrictions imposed by governmental authority; and (e) Permitted Liens and other Liens (as each of those terms is defined in the Credit Agreement) that are permitted by Section 6.02 of the Credit Agreement, other than Transaction Liens (as that term is defined in the Credit Agreement); (f) reclamation or performance bonds associated with mine permits, royalty payments to surface owners and any other payment obligations that are not disclosed by the Title Materials; and (g) any documents recorded in the Big Horn County, Montana records subsequent to March 9, 2014 or filed at DNRC subsequent to March 7, 2014.

10. Use and Benefit of Opinion. This Opinion is provided for the purpose of complying with the requirements of the Credit Agreement and has been rendered by Holland & Hart LLP for the exclusive reliance of (a) the Administrative Agent and Lenders and their respective successors and assigns in connection with the Credit Agreement and any proceedings relating thereto, and (b) Borrower and its subsidiaries. Holland & Hart and its attorneys do not



To each of the Lenders party to the Credit
Agreement referred to below and PNC
Bank, National Association, as
Administrative Agent

March 31, 2014

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assume any responsibility or liability to any third party as to the correctness of statement,
comment or content herein, in the absence of our express written consent.

Very truly yours,

Jeanine Feriancek
of HOLLAND & HART LLP

APPENDIX A TO TITLE OPINION

TITLE MATERIALS

1. Copies of (a) documents in lease file for State of Montana Coal Lease No. C-1088-05 and (b) DNRC rental ledger history for the subject lease, obtained by Holland & Hart paralegal Clare Young from the Montana Department of Natural Resources and Conservation on December 18, 2009.

2. Copies of (a) rental ledger history and coal royalty reports for State of Montana Coal Lease No. C-535-65, (b) lease file and rental ledger history for State of Montana Coal Lease No. C-535-65 (R), and (c) lease file and rental ledger history for State of Montana Coal Lease No. C-1088-95, obtained by Holland & Hart paralegal Clare Young from the Montana Department of Natural Resources and Conservation on February 25, 2010.

3. Montana Department of Natural Resources and Conservation Trust Land Management System Information showing mineral lease detail for State of Montana Coal Lease Nos. C-1088-05, C-1088-95 and C-535-65 (obtained on February 15, 2010), and DNRC land inventory relating to Section 36, T. 8 S., R. 39 E., obtained from the DNRC website on February 15, 2010.

4. Copies of (a) documents in the lease file for State of Montana Coal Lease No. C-1088-05 for the period between December 18, 2009 and March 7, 2014, (b) DNRC rental ledger history for the subject lease for said period, (c) DNRC royalty payment history and coal royalty reports for the subject lease for said period, and (d) DNRC Land Management System Information showing mineral lease detail for State of Montana Coal Lease No. C-1088-05, obtained by Patrick H. Beddow, Consultant Landman, on March 7, 2014.

5. Bureau of Land Management Master Title Plat and Historical Index for Township 8 South, Range 39 East (current to December 8, 2009), and BLM Coal Plat and Oil and Gas Plat for said township and range (current to February 16, 2010).

6. Bureau of Land Management Master Title Plat and Coal Plat for Township 8 South, Range 39 East (current to November 19, 2013).

7. Report dated January 5, 2010 prepared by Patrick H. Beddow, Consultant Landman based on his examination of (a) the indexed records maintained by the Clerk and Recorder of Big Horn County, Montana with respect to the captioned land (search limited to minerals only and State of Montana Coal Lease No. C-1088-05), covering the period from the effective date of Lease No. C-535-65 (December 20, 1965) to January 4, 2010, (b) the tract index records of American Title and Escrow Company in Hardin, Big Horn County, Montana with respect to the captioned land, and (c) the records of the Clerk of Court for the 22nd Judicial District, and copies of documents identified through such examination.

8. Report dated March 13, 2014 prepared by Patrick H. Beddow, Consultant Landman, based on his examination of the indexed records maintained by the Clerk and Recorder of Big Horn County, Montana with respect to the captioned land (search limited to minerals only State of Montana Coal Lease No. C-1088-05), covering the period from January 1, 2010 through March 9, 2014, and copies of documents identified through such examination.

9. Copy of Affidavit of Assignment relating to State of Montana Grazing Lease No. 143019 executed by Consolidation Coal Company and Arrowhead I LLC on June 28, 2012.

**APPENDIX B
TO TITLE OPINION**

**HISTORY OF TITLE – STATE OF MONTANA COAL LEASE NO. C-535-65
AND SUBSEQUENT EXCHANGE AND RENEWAL LEASES**

The DNRC rental ledger for State of Montana Coal Lease No. C-535-65 contains a notation indicating that the lease file for said lease has been destroyed. However, the file for the first renewal of said lease includes a copy of the original lease, which contained the following provisions:

State of Montana Coal Mining Lease No. 535

Lessor:	State of Montana, by and through its Board of Land Commissioners
Lessee:	Peter Kiewit Sons' Co.
Dated Effective:	December 20, 1965
Recorded:	Not recorded in the Big Horn County records
Lands Covered:	<u>T. 8 S., R. 39 E., P.M.M.</u> Section 36: All Containing 640 acres, more or less
Term:	10 years (expires December 20, 1975)
Production Royalty:	15¢ per ton of 2,000 pounds, but in no event less than minimum annual payment of \$150.00.
Minimum Annual Royalty:	\$150.00 per year payable in advance (to be absorbed in payment of royalty)
Surface Damages:	\$10 per acre, to be paid annually as work progresses
Assignment:	Lease shall not be assignable unless the consent to such assignment has first been given in writing by Lessor.
Preferential Right:	Upon expiration of this lease, the Board of Land Commissioners shall advertise the land for releasing and lease the same to the highest responsible bidder at public auction; provided, however, that when the lands are advertised for re-leasing, the Lessee shall have the privilege of re-leasing the same at such highest responsible bid offered, upon such terms and conditions as prescribed by the Board; however, the Board has privilege of rejecting any and all bids.

Other: Rental ledger lists Pacific Power & Light as assignee of the lease, but no copy of any assignment to Pacific Power & Light was included in the Title Materials.

Application for Exchange Lease

In 1971, Pacific Power & Light Company applied to DNRC for an exchange lease covering the captioned land pursuant to the provisions of a 1947 statute. The application for an exchange lease (including the extension of the primary term of the lease to 20 years from the date of the original lease) was granted by the Board of Land Commissioners, and the following lease was executed:

State of Montana Coal Lease No. C-535-65 (Exchange)

Lessor: State of Montana, by and through its Board of Land Commissioners

Lessee: Pacific Power & Light Company

Dated Effective: Lease dated April 21, 1972, but original effective date of December 20, 1965 was retained

Recorded: February 3, 1983 as Instrument No. 277334 in Book 37, Page 672

Lands Covered: T. 8 S., R. 39 E., P.M.M.
Section 36: All

Containing 640 acres, more or less

Term: 20 years, together with the right, provided Lessee has complied with all lease terms, to lease said land for additional, successive 20-year terms.

Renewal: If Lessee elects to extend lease, it is required to notify Lessor in writing at lease 90 days prior to expiration of this renewal term, or any subsequent renewal term, as the case may be.

Lessor expressly reserves the right to reasonably readjust and fix royalties payable hereunder and other terms and conditions of this Lease in the event Lessee exercises its right to renew. Unless Lessee files objections to the proposed terms or a relinquishment of the Lease within 30 days after receipt of notice of proposed terms for the ensuing renewal, Lessee shall be deemed to have agreed to such terms.

Production Royalty: 15¢ per ton on lignite coal, and 17.5¢ per ton on sub-bituminous coal

Annual Rental: \$1.00 per acre for the first 10 years;
\$5.00 per acre for 11th through 20th year.
\$3200.00 Exchange Lease fee.

Assignment: Lease shall not be assignable unless the consent to such assignment has first been given in writing by Lessor.

Assignments of Montana Coal Lease No. C-535-65

In an Assignment dated May 18, 1977, Pacific Power & Light Company assigned to Resource Development Co., Inc., 100% leasehold interest in Lease No. C-535-65, as to all lands in the lease. Said assignment did not contain any reservation of overriding royalty interest. On the same date, and in the same instrument, Resource Development Co., Inc. assigned to Spring Creek Coal Company 100% leasehold interest in Lease No. C-535-65, as to all lands in the lease. Said assignment contained the following overriding royalty interest reservation:

RESERVING, however, to RESOURCE DEVELOPMENT CO., INC., its successors and assigns, a royalty or overriding royalty which, when added to the underlying royalty payable to the State of Montana and any other royalties applicable thereto, causes the cumulative royalties to equal the higher of (i) the maximum cumulative royalties pertaining to any federal lease in the States of Wyoming or Montana having the then highest cumulative royalties, or (ii) the highest cumulative royalties charged by lessors and sublessors to coal operators, as determined by recent transactions in the States of Wyoming or Montana.

The Board of Land Commissioners approved the assignments on June 3, 1977. The assignments were not recorded in the Big Horn County records.

Notice of Renewal of State of Montana Coal Lease No. C-535-65

A notice of intent to renew Lease No. C-535-065 lease was filed with DNRC on May 13, 1985. The notice erroneously stated that it was filed on behalf of Resource Development Co. Inc., which had assigned Lease No. C-535-065 to Spring Creek Coal Company in 1977.

Amendment to State of Montana Coal Lease No. C-535-65

As of the date on which Lease No. C-535-65 was due to expire (December 20, 1985), the State of Montana and Spring Creek Coal Company were still negotiating rental and royalty terms for a renewal of said lease. They therefore entered into an amendment of Lease No. C-535-65, which extended said lease until January 31, 1986 and provided that for coal mined after December 19, 1985 and before February 1, 1986, Lessee shall pay to Lessor royalty at the same rate as is negotiated and approved by the Board of Land Commissioners for the first extension of the lease.

The Board approved the renewal of Lease No. C-535-65, and the following renewal lease was executed:

State of Montana Coal Lease Renewal - Lease No. C-535-65 (R)

Lessor: State of Montana, by and through its Board of Land Commissioners

Lessee: Spring Creek Coal Company

Dated: January 27, 1986, effective December 20, 1985
(Renewal of State of Montana Coal Lease No. C-535-65)

Recorded: Not recorded in the Big Horn County records

Lands Covered: Township 8 South, Range 39 East, P.M.M.
Section 36: All

containing a total of 640.00 acres, more or less.

Term: 10 years, together with the right, provided Lessee has complied with all lease terms, to lease said land for additional, successive 10-year terms.

Renewal: If Lessee elects to extend lease, it is required to notify Lessor in writing at least 90 days prior to expiration of this renewal term, or any subsequent renewal term, as the case may be.

Lessor expressly reserves the right to reasonably readjust and fix royalties payable hereunder and other terms and conditions of this Lease in the event Lessee exercises its right to renew. Unless Lessee files objections to the proposed terms or a relinquishment of the Lease within 30 days after receipt of notice of proposed terms for the ensuing renewal, Lessee shall be deemed to have agreed to such terms.

Production Royalty: 12.5% of gross sales, f.o.b. the mine.

Rentals: \$5.00 per acre per year (credited against first royalties as they accrue during the year for which rental was paid).
Minimum rental of \$50.00

Assignment: Lease may not be assigned without prior approval of Lessor in writing.

Notice to Renew State of Montana Coal Lease No. C-535-65

In a notice filed with DNRC on July 28, 1995, Spring Creek Coal Company gave notice of its desire to renew Lease No. C-535-65 for an additional term. The Board of Land Commissioners approved the terms of renewal on December 18, 1995, and the following renewal lease was executed:

State of Montana Coal Lease Renewal - Lease No. C-1088-95

Lessor: State of Montana, by and through its Board of Land Commissioners

Lessee: Spring Creek Coal Company

Dated: December 18, 1995, effective December 20, 1995
(Renewal of State of Montana Coal Lease No. C-535-65 (R))

Recorded: Not recorded in the Big Horn County records

Lands Covered: Township 8 South, Range 39 East, P.M.M.
Section 36: All

containing a total of 640.00 acres, more or less.

Term: 10 years, together with the right, provided Lessee has complied with all lease terms, to lease said land for additional, successive 10-year terms.

Renewal: If Lessee elects to extend lease, it is required to notify Lessor in writing at least 90 days prior to expiration of this renewal term, or any subsequent renewal term, as the case may be.

Lessor expressly reserves the right to reasonably readjust and fix royalties payable hereunder and other terms and conditions of this Lease in the event Lessee exercises its right to renew. Unless Lessee files objections to the proposed terms or a relinquishment of the Lease within 30 days after receipt of notice of proposed terms for the ensuing renewal, Lessee shall be deemed to have agreed to such terms.

Production Royalty: 12.5% of f.o.b. price of coal prepared for shipment at the mine site, including production-based taxes.

Royalty rate under this Lease is equivalent to the current federal surface mining royalty and shall be adjusted to remain equivalent to the federal rate. If federal surface mining royalty rate is lowered during the term of the Lease, the lower federal royalty rate will be immediately incorporated into the Lease, unless within 90 days after the federal royalty rate changes, the Board makes an affirmative finding that the lower rate will not achieve the full fair market value of the coal being produced. If the federal surface mining royalty rate is increased, the higher federal royalty rate shall immediately be incorporated into Lease, unless Lessee files an objection with the Board within 90 days from the date of federal royalty change. Subsequently, the Board will fix royalty rate to determine full market value

of the coal f.o.b. the mine. Royalty may not be adjusted below effective rate required by state statute.

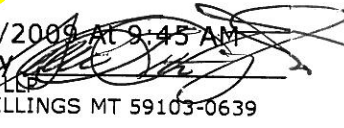
Rentals: \$3.00 per acre per year (not credited against royalties)

Assignment: Lease may not be assigned without prior approval of Lessor in writing. Assignments must be made in accordance with Admin. Rules Mont. §26.3.311

Notice to Renew State of Montana Coal Lease No. C-1088-95

In a notice filed with DNRC on May 9, 2005, Spring Creek Coal Company gave notice of its desire to renew Lease No. C-1088-95 for an additional term. The Board approved the renewal on December 14, 2005, and Lease No. C-1088-05 (described in Part II.A of this Opinion) was executed.

6730710_1.DOC

Big Horn County Recorded 11/17/2009 At 9:45 AM
Clerk and Recorder, Clk & Rcdr By 
Fee: \$62.00 Return To: HOLLAND & HART LLP
PO BOX 639 401 N 31ST STR STE 1500 BILLINGS MT 59103-0639


STATE OF MONTANA

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

)
) SS
)

The undersigned does hereby certify that the attached is a true, full and correct copy of State of Montana Coal Lease C-1088-05 issued to Spring Creek Coal Company on December 20, 2005, embracing the following described lands, to-wit: All of Section 36, Township 8 South, Range 39 East, Big Horn County, Montana as the said Lease appears of record in this office.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the State Board of Land Commissioners this 29th day of October, 2009.



Monte G. Mason, Chief
Minerals Management Bureau
Department of Natural Resources and Conservation
State of Montana



STATE OF MONTANA**COAL LEASE RENEWAL****Lease No. C-1088-05**

This indenture of lease, made and entered into between the State of Montana, by and through its lawfully qualified and acting State Board of Land Commissioners, hereinafter referred to as "Lessor", and the person, company or corporation herein named, hereinafter referred to as "Lessee", under and pursuant to the authority granted Lessor by the terms and provisions of Section 77-3-301, et seq., MCA, all acts amendatory thereof and supplementary thereto, and all rules adopted pursuant thereto, is for the purpose of renewing State of Montana Coal Lease No. C-1088-95.

WITNESSETH:

The Lessor, in consideration of the rents and royalties to be paid and the conditions to be observed as hereinafter set forth does hereby grant and lease to the Lessee, for the purpose of mining and disposing of coal and constructing all such works, buildings, plants, structures and appliances as may be necessary and convenient to produce, save, care for, dispose of and remove said coal, all the lands herein described as follows:

Date this renewal Lease takes effect: December 20, 2005
Name of Lessee: Spring Creek Coal Company
505 South Gillette Ave
Caller Box 3009
Gillete, Wyoming 82717

Land located in Big Horn County

Description of land: Township 8 South, Range 39 East
Section 36: All

Total Number of Acres: 640.00, more or less, belonging to Common School grant.

Annual rental, payable in advance: \$3.00/acre.

Production Royalties: 12.5% Gross Sales f.o.b. at the mine, subject to the provisions of Paragraph 4 of this lease

TO HAVE AND TO HOLD the said premises for a term of ten (10) years, together with the right, provided Lessee has complied with all of the terms and conditions hereof, to lease said land for additional, successive ten-year terms. If Lessee shall elect to extend this Lease, Lessee shall so notify Lessor in writing at least ninety (90) days prior to the expiration of this renewal term, or any subsequent renewal term, as the case may be. Lessor expressly reserves the right to reasonably readjust and fix royalties and rentals payable hereunder and other terms and conditions of this Lease in the event Lessee exercises its right to renew. Unless Lessee files objections to the proposed terms or a relinquishment of the Lease within thirty (30) days after receipt of the notice of proposed terms for the ensuing renewal, Lessee shall be deemed to have agreed to such terms.

COAL LEASE C-1088-05

Township 8 South, Range 39 East
Section 36: All

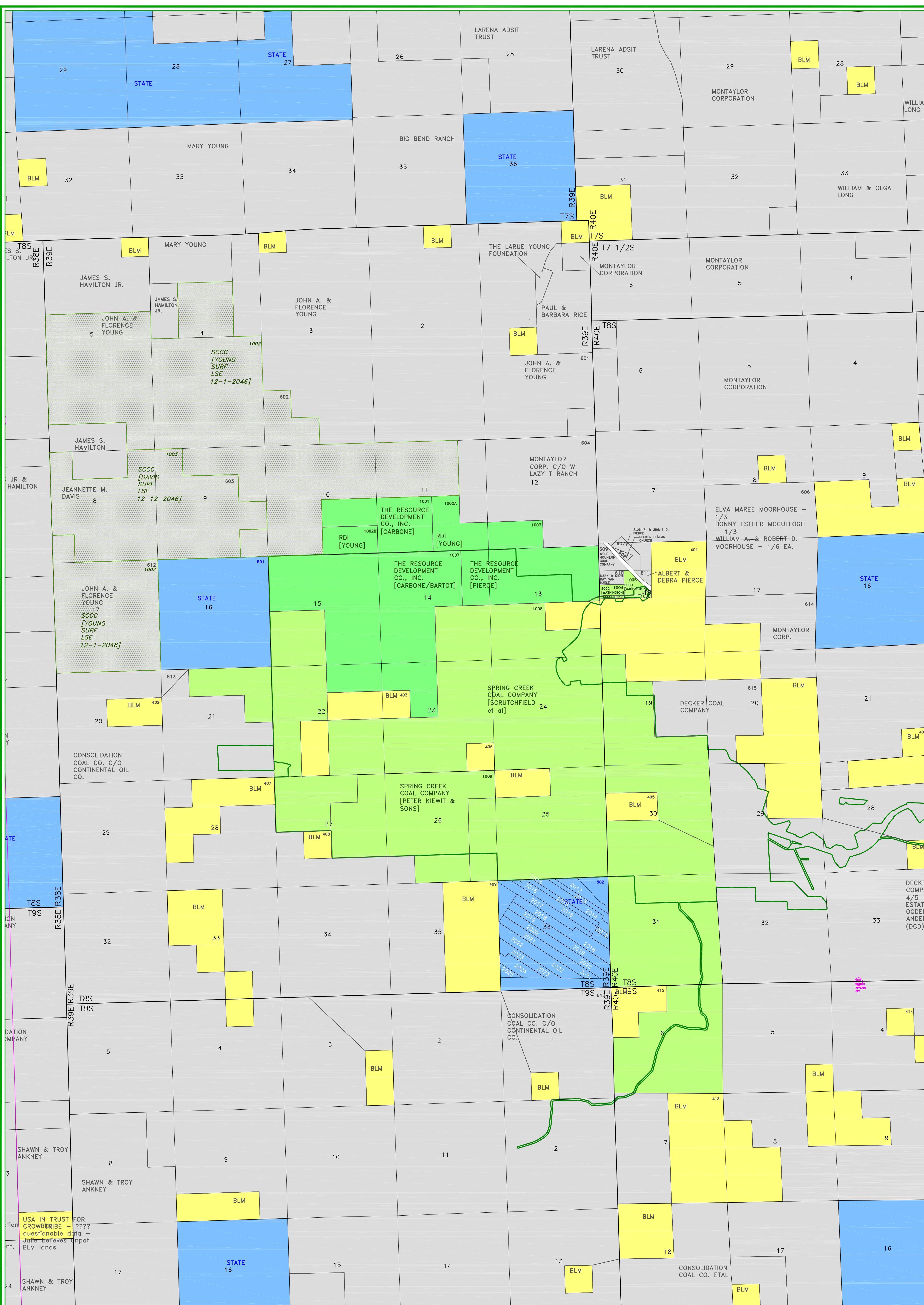
Big Horn County - 640.00 Acres

LEASE EFFECTIVE DECEMBER 20, 2005

Spring Creek Coal Company

100%

SPRING CREEK COAL COMPANY MERGED INTO SPRING CREEK COAL LLC SEPTEMBER 15, 2008



DATE	REVISION	SPRING CREEK COAL CO		RIO TINTO	
BY				ENERGY AMERICA	
		P.O.BOX 3009 GILLETTE, WYOMING 82717 (307) 687-6000			
		SPRING CREEK MINE SURFACE OWNERSHIP			
		DESIGN BY <u>ATC</u>	DRAWN BY <u>ATC</u>	DATE <u>March 21, 2007 - 10:42 AM</u>	
		SCALE <u>1" = 1000'</u>	FILE NAME <u>C:\Spring Creek\Drawings\HRC2007\HRC2007.dwg</u>		

**SUMMARY - STATE COAL LEASE
C-1088-95**

**TOWNSHIP 8 SOUTH, RANGE 39 EAST, M.P.M
SECTION 36: ALL**

Containing 640.00 acres

Big Horn County, Montana

**SURFACE
OWNERSHIP: STATE OF MONTANA**

**COAL
OWNERSHIP : STATE OF MONTANA**

LESSEE: SPRING CREEK COAL COMPANY

EFFECTIVE: 12-20-1965

**ANNUAL
RENTAL: \$1,920.00 (\$3.00/ac.)**

ROYALTY: 12.5%

**BOND: \$2,000.00
American Home Assurance Company #14-95-24**

EXPIRATION: 12-20-2005

— SCCC_COAL_ORR_FEE_602 —

— SCCC_COAL_ROY_STATE_504 —

— Revised 08/18/2020; Reference - MR262 —

— SCCC_COAL_LSE_PROD_1005 —

12-20-1965

Lease issued - Peter Kiewit Sons'
8-39/36:All

640.00 acres
Ten year term
Rental: \$150.00/year
Royalty: \$0.15/ton
Bond: \$1,000.00
Additional terms & stipulations

3-20-1970

Assignment Agreement - Peter Kiewit Sons' Co. ~~-to-~~ Pacific Power & Light
Company, a Corp.

Assigns ARTI in Lease No. 535

Pacific assigns ARTI in Lease No. 0-21608 (Carbon Co., WY)

4-21-1972

State of Montana
Coal Lease EXCHANGE - Pacific Power & Light Company
8-39/36: All

640.00 acres
Twenty year term
Rental: \$1.00/ac./yr. first ten years
\$5.00/ac./yr. 11th thru 20th year
\$3,200.00 Exchange Lease Fee
Royalty: \$0.15/ton lignite
\$0.175/ton sub-bituminous
Bond: \$1,000.00
Additional terms & stipulations

5-18-1977

Assignments of Montana Coal Lease - Pacific Power & Light Company, a Corp.
-to-
Resource Development Co., Inc., WA Corp.

ARTI in State of Montana Coal Lease No. C-535-65

Assignments of Montana Coal Lease - Resource Development Co., Inc., WA Corp.
-to-
Spring Creek Coal Company, MT Corp.

ARTI in State of Montana Coal Lease No. C-535-65

RESERVING, however, to Resource Development Co., Inc., and its successors and assigns, a royalty or overriding royalty which, when added to the underlying royalty payable to the State of Montana and any other royalties applicable thereto, causes the cumulative royalties to equal the higher of (i) the maximum cumulative royalties pertaining to any federal lease in the States of Wyoming or Montana having the then highest cumulative royalties, or (ii) the highest cumulative royalties charged by lessors and sublessors to coal operators, as determined by recent transactions in the States of Wyoming or Montana.

Approved: 6-3-1977

12-15-1985

Amendment to State of Montana Coal Lease No. C-535-65

RE: Coal Lease dated 4-21-1972

- 1 - Delete from the habendum clause on the first page, phrase "for a term of 20 years" and substituting therefor the phrase "until January 31, 1986"
- 2 - Add to paragraph 4, entitled "ROYALTY", the following sentence "However, for all coal mined after December 19, 1985, and before February 1, 1986, Lessee shall pay to Lessor the same royalty as is negotiated and approved by the Board of Land Commissioners for the first extension of Lease."

NOTE: This extended the lease for an interim period to give us time to meet with the State of Montana and negotiate the terms. Does not effect the final lease form.

12-20-1985

**State of Montana Coal Lease Renewal - Spring Creek Coal Company
8-39/36:All**

**640.00 acres
Ten year term
Rental: \$5.00/ac./yr.
Royalty: 12.5%
Bond: \$2,000.00
Additional terms & stipulations**

12-20-1995

**State of Montana Coal Lease Renewal - Spring Creek Coal Company
8-39/36:All**

**640.00 acres
Ten year term
Rental: \$3.00/ac./yr.
Royalty: 12.5%
Bond: \$2,000.00
Additional terms & stipulations**

Addendum 303-6-10, MFC-1088 Page Revised 08/18/2020; Reference - MR262

NOTE: Lease renumbered by State - C-1088-95

NERCO MINING COMPANY

INTERNAL CORRESPONDENCE

February 23, 1983

TO: Maurene Corn

FROM: Vicki Grimm *VG*

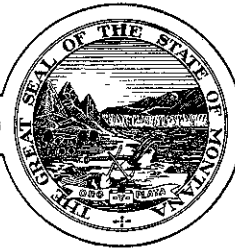
SUBJECT: Chain of Title, State of Montana Coal Lease No. C-535-65

The chain of title for the above-referenced coal lease, beginning with Peter Kiewit Sons' involvement in 1965 to date, is as follows:

<u>Date</u>	<u>Agreement</u>	<u>Parties</u>
3/10/66 - Executed <i>3/66</i> 12/28/65 - Effective	Lease Agreement	PKS and State of Montana
3/20/70 - Executed 5/7/70 - Effective	Lease Assignment	PKS to PP&L (C.P. Davenport signed on behalf of PP&L)
4/72 - Executed 10/18/71 - date granted by Board	Exchange Lease Agreement	(C.P. Davenport signed on behalf of PP&L)
5/18/77 - Executed	Lease Assignment	PP&L to Resource Development Corporation, Inc., to Spring Creek
6/3/77 - Approved		

VLG:bwf/4408

DEPARTMENT OF STATE LANDS



TED SCHWINDEN, GOVERNOR

CAPITOL STATION

STATE OF MONTANA

(406) 449-2074
(406) 449-4560 RECLAMATION DIVISION1625 ELEVENTH AVENUE
HELENA, MONTANA 59620

CERTIFICATE

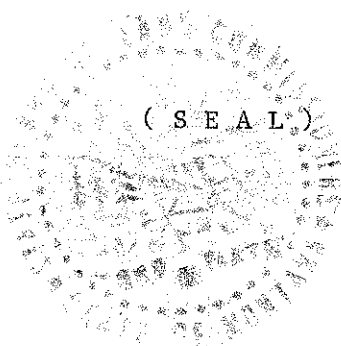
STATE OF MONTANA

SS

DEPARTMENT OF STATE LANDS

I, Dennis Hemmer, Commissioner of State Lands for the State of Montana, DO HEREBY CERTIFY that the foregoing is a true, full and correct copy of Coal Lease No. C-535-65 covering 640 acres, All, Section 36, Township 8 South, Range 39 East, in Big Horn County, Montana, as the said lease appears of record in this office.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the State Board of Land Commissioners of the State of Montana, This 17th day of November, 1982.



A handwritten signature in cursive script, reading "Dennis Hemmer", written over a horizontal line.

Commissioner of State Lands
of the State of Montana

ten / 1978
Assignment approved by Board of Land Commissioners: May 7, 1970.
Assignment recorded in the Office of the Commissioner of Public Lands: May 5, 1970.

ASSIGNMENT AGREEMENT

AGREEMENT, by and between PETER KIEWIT SONS' CO.

(hereinafter referred to as "Kiewit") and PACIFIC POWER & LIGHT COMPANY, a corporation (hereinafter referred to as "Pacific").

W I T N E S S E T H:

1. For good and valuable consideration Kiewit hereby assigns, transfers and conveys to Pacific, its successors and assigns, that certain "State of Montana Coal Mining Lease" designated Lease No. 535 and dated March 10, 1966, which covers that certain real property described as Section 36, Township 8 South, Range 39 East, Big Horn County, Montana, together with all the right, title and interest of Kiewit in and to said Lease and in and to the said real property arising out of or by virtue of said Lease.

2. Pacific hereby accepts the assignment made in paragraph 1 above, and agrees to and with Kiewit to perform any and all obligations of the lessee under said Coal Mining Lease from and after the effective date of this Agreement.

3. For good and valuable consideration Pacific hereby assigns, transfers and conveys to Kiewit, its successors and assigns, that certain "Coal Mining Lease" designated Lease No. 0-21608 and dated April 16, 1967 which covers that certain real property described as Section 16-23-81, ^{N W 6th PM} Carbon County, Wyoming, together with all the right, title and interest of Pacific in and to said Lease and in and to the said real property arising out of or by virtue of said Lease.

4. Kiewit hereby accepts the assignment made in paragraph 3 above, and agrees to and with Pacific to perform any and all obligations of the lessee under said Coal Mining Lease from and after the effective date of this Agreement.

Reserve 1967 - 5356

5. This Agreement, including the respective assignments contained herein, shall take effect upon the first day of the month following the later of the following dates:

(a) The date that the State Board of Land Commissioners, State of Montana, approves in writing the assignment made in paragraph 1 above and Pacific has complied with all conditions of such approval, if any.

(b) The date that the State Board of Land Commissioners, State of Wyoming, approves in writing the assignment made in paragraph 3 above and Kiewit has complied with all conditions of such approval, if any.

Executed by the parties hereto this 20th day of March, 1970.

1970.

(Corporate Seal)

PETER KIEWIT SONS' CO.

By

R. L. Coyne

Vice President

By

Robert E. Clark
Assistant Secretary

PACIFIC POWER & LIGHT COMPANY

By

[Signature]
Vice President

By

M. E. Thompson
Assistant Secretary

STATE OF Nebraska)
County of Douglas) ss.

March 20, 1970.

Personally appeared R. L. Coyne and Robert E. Clark who being duly sworn did say that he the said R. L. Coyne is the Vice President and he the said Robert E. Clark is the Assistant Secretary of PETER KIEWIT SONS' CO. and that the seal affixed to the foregoing instrument is its corporate seal and the said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and they acknowledged said instrument to be its voluntary act and deed. Before me:

R. C. Karasinski
Notary Public for Nebraska
My Commission expires Jan. 15, 1974

STATE OF OREGON)
)
County of MULTNOMAH)

March 10, 1970

Personally appeared C.P. Javenport and M.B. Thompson who being duly sworn did say that he the said C.P. Javenport is the Vice President and he the said M.B. Thompson is the Assistant Secretary of PACIFIC POWER & LIGHT COMPANY and that the seal affixed to the foregoing instrument is its corporate seal and the said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and they acknowledged said instrument to be its voluntary act and deed. Before me:

Leonard Bennett
Notary Public for OREGON
My Commission expires September 7, 1970

APPROVAL

BE IT HEREBY RESOLVED, that the State Board of Land Commissioners, State of Montana, acting by and through its President and Secretary, do hereby consent to the foregoing assignment of the State of Montana Coal Mining Lease therein designated, and in witness of such consent have caused this instrument to be executed with the official seal of the State Board of Land Commissioners on this ____ day of 10th April, 1970.

As a transfer of title only and without recognition of the overriding royalty.

STATE OF MONTANA, LESSOR

By its State Board of Land Commissioners,

President
ATTEST Ed Selwender
Secretary

BE IT HEREBY RESOLVED, that the State Board of Land Commissioners, State of Wyoming, acting by and through its President and Secretary, do hereby consent to the foregoing assignment of the State of Wyoming Coal Mining Lease therein designated, and in witness of such consent have caused this instrument to be executed with the official seal of the State Board of Land Commissioners on this ____ day of _____, 1970.

STATE OF WYOMING, LESSOR

By its State Board of Land Commissioners,

President
ATTEST _____
Secretary

CONSENT OF SURETY

We, the undersigned surety for the lessee and assignor of State of Montana Coal Mining Lease No. 535, on surety bond to the State of Montana, hereby agree to the transfer of the said lease, and further agree that the bond of said lessee and assignor by us as surety shall continue in full force and bind us as surety for the assignee of the said lease, and we hereby authorize this written consent to be attached to and made a part of such original bond.

Dated at Billings, Montana this 24th day of March, 1970.

THE AETNA CASUALTY AND SURETY
COMPANY

By Alvin F. Andersen
Alvin F. Andersen, Attorney-in-Fact
P.O. Box 1614, Billings, Montana
Address of officer executing
consent.