

RECORD OF DISCUSSION

The following items were discussed between Baukol-Noonan, Inc. and Larry and Mary Dresser while working on the land trade of Sec. 34 and Schmidts.

It was agreed the Dressers would have the right to any trees that presently exist in Section 34, T142N, R84W, as long as such trees are removed prior to mining activities.

The Dressers requested that, as they have the first right to buy Sec. 34 back; that it be reclaimed to cropland. It was agreed that BNI will honor this request unless there is a reason why this would adversely effect the mining or reclamation of the area significantly. This is not foreseen at this time. There will be areas that this will not be possible to go to cropland such as the replacement area for the wetlands.

It was also agreed that BNI will not replace soils in said section with soils with poorer classification from the N 1/2 of Section 27, T142N, R84W.

Dressers agreed that the well drilled last summer in Sec. 35 was an acceptable replacement for the well that will be mined through in the northwest corner of Section 35.

These agreements will not apply if BNI does not exercise it's option to purchase Section 34.

Dated 10 February, 1989

BAUKOL-NOONAN, INC.

Larry Lloyd
Larry Lloyd

Larry Dresser
Larry Dresser

OPTION TO EXCHANGE LAND

This Agreement is made between Baukol-Noonan, Inc. hereafter called BNI and Larry Dresser and Mary Dresser, husband and wife, of RR 1, Box 80A, Washburn, North Dakota 58577, hereafter called the Dressers.

In exchange for \$10.00 and other good and valuable consideration the Dressers hereby give BNI the option for 90 days from the date hereof to exchange Section 34, (the Dresser property) Township 142 North, Range 84 West, Oliver County, North Dakota for the S1/2 of Section 11, S1/2 of Section 12, and the N1/2NW1/4, SW1/4NW1/4, and NW1/4NE1/4 of Section 14, all in Township 141 North, Range 84 West, Oliver County, North Dakota (the BNI property).

If BNI elects to exercise this option it shall be exercised on the following terms and conditions:

1. BNI shall convey to the Dressers the BNI property by suitable warranty deed free and clear of all encumbrances except easements and leases presently of record. The Dressers are to get one-fourth of the minerals on the BNI land now owned by the present record title owners (which is not currently BNI).

2. BNI shall acquire the surface only to the Dresser land, which otherwise shall be free and clear of all liens and encumbrances except easements and leases presently of record.

3. As additional consideration for this agreement, BNI will not hereafter sell the Dresser property to any third party without first offering to sell it to the Dressers. If the

Dressers and BNI can not agree on a sales price, but the Dressers still wish to exercise their right under this paragraph to purchase the property, then each party shall name an appraiser and the two appraisers thus named shall name a third appraiser and a determination by all or a majority of the three appraisers as to the value of the land shall establish the selling price. Thereafter the Dressers shall have a reasonable period of time in which to obtain financing to complete the purchase in cash from BNI.

4. The Dressers shall have the right to lease the Dresser property or such portions thereof as BNI may make available for lease at the price or on the terms established by BNI in its offer to lease. If that price or those terms are unacceptable to the Dressers, then BNI may offer the Dresser property or portions thereof to third parties for leasing, but the Dressers shall have a right of first refusal whereby they will be given an opportunity to match the highest rent or terms offered by such third party for the lease of the property, in which case they shall obtain the lease. Each lease issued under this paragraph shall be for one farming season only. The leases shall provide that the lessees must comply with the farming standards and procedures established by BNI, which is necessitated because the farming or other use of the property will be subject to the ultimate control of the Public Service Commission of the State of North Dakota in connection with the mining and mine reclamation laws of the State of North Dakota.

5. BNI will pay all costs attributable to this transaction

including reasonable attorney's fees incurred by the Dressers. In addition to whatever royalty to which they might be entitled by virtue of being mineral owners, and notwithstanding the transfer by them of the surface, the Dressers will be entitled to a royalty payment of four cents per ton on all coal produced by BNI from the Dresser property as surface disturbance royalties, of which \$50,000.00 in advance royalties will be paid upon the closing of the land exchange.

6. Notwithstanding anything in the foregoing, this option shall not be binding upon the Dressers if the exchange of land contemplated herein can not be accomplished as a tax free exchange.

7. The Dressers will execute all the documents required to accomplish the purposes of this agreement including but not limited to a surface disturbance royalty agreement.

8. Because land is being exchanged for land the parties agree there is no need for proration of the real estate taxes to the date of closing.

Executed as indicated below:

Dated at Minot, North Dakota this 11th day of January, 1989.

BAUKOL-NOONAN, INC.

BY: *[Signature]*
Its Vice President

Dated at Washburn, North Dakota this 13 day of January,
1989.

Larry Dresser
Larry Dresser

Mary Dresser
Mary Dresser