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Coastal
The Energy People

August 30, 1994

ACT/007/018 #5

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DIV. OF OIL, GAS & MINING

ACT/007/034 #5
ACT/007/005 #5
ACT/041/002 #5
Copy Joe, Sharon, PAM

Utah Coal Regulatory Program
Division of Oil, Gas & Mining
355 West North Temple
3 Traid Center, Suite 350
Salt Lake City, Utah 84180-1203

Re: Chapter 1 Violation Information

Gentlemen,

It has been a long tedious process to resolve various deficiencies involved in the violation information system for our corporation. However, due to diligence by both the Division and my staff, it appears we may be finally coming to closure on this issue.

We are submitting the following information in response to your June 7, 1994 deficiency letter:

Deficiencies

1. Submittal of a copy of the settlement agreement between Virginia Iron Coal and Coke Company and the Division of Mined Land Reclamation (signed January 24, 1994) will resolve deficiencies regarding the status of violation items 1, 2, 6, 7 identified in Table 1.13.1.

Response:

We have included a copy of the signed January 24, 1994 settlement agreement. We have marked this agreement as Exhibit #1.

2. Verification of payment for numbers 3, 4, 5 and 8 identified in Table 1.13.1 should be submitted.

Response:

We have enclosed a memorandum from Barry Spry of VICE (Virginia Iron coal & Coke) to Keith Zobell (we have marked this memorandum Exhibit #2). In this

Utah Fuel Company
A SUBSIDIARY OF THE COASTAL CORPORATION
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memorandum Mr. Spry outlines the settlement of this issue in his Item #2. He refers to the April 29, 1994 Settlement Agreement, which we have enclosed and marked as Exhibit #3 and the June 13, 1994 settlement agreement which we have also enclosed and marked as Exhibit #4.

3. *An AVS check shows additional Federal Violations exist. Violations should be submitted for inclusion in Table 1.13-1 (Attached). Clarification of payment or other pertinent information may also be necessary.*

Response:

We have enclosed a copy of the printout AVS Application Evaluation Report which was furnished to us by Mr. Joe Helfrich (we have marked this printout as Exhibit #5). On this printout we have numbered the outstanding violation from 1 through 25. Violation No's. 4, 5, 15, 17, 18, 21, 22, 23, 24 and 25 have not been explained in Table 1.13-1 (attached and marked as Exhibit #6).

Violations No.'s 4, 5, and 6 (Exhibit #5) are Kentucky violations. We have enclosed a copy of a letter from William S. Hudgins, Vice President/General Council of Coastal Corporation transmitting a Enterprise Coal Co. check in the amount of $150,000 in payment of outstanding civil owed by E&B Energy and Cimmaron Minerals. Attached to this letter is a receipt from the common wealth of Kentucky showing the violation covered. We have put a check (✓) mark by the violations No. 4, 5, and 6 on the AVS printout. We have marked Mr. Hudgins letter and attached receipt as Exhibit #6.

Violations No. 21 of Exhibit #5 is covered in a settlement agreement covering the Turner Coal Company Permit 3036 and marked as Exhibit #7.

Violation No. 22 of Exhibit #5 is discussed in Mr. Spry's memorandum (Exhibit #2) under item No. 3 , No. 5). He indicates that this maybe a mistake and may not show in the AVS system now. Please check AVS system for this item. If we need to do additional research on this item, please let us know.

Violations No. 23, 24, and 25 of Exhibit is covered in the January 24, 1994 agreement (Exhibit #1).

4. *Information demonstrating disassociation, with the entities for which bond forfeiture is shown, is necessary to clarify the statement indicating no affiliated mines have had a Bond forfeiture (Page 1-65). This statement conflicts with the bond forfeiture list submitted on pages 1-75 through 1-81.*

Response:

> *We feel that the enclosed settlement agreements demonstrate disassociation with the entities for which bond forfeiture is shown. All of the settlement agreements which have been agreed to by both state and federal regulators containing statements disallowing presumptive ownership or control of various independent contractors. Therefore, we still maintain and feel that the following statement which is included in our PAP is accurate:*
>
> *"Neither the Applicant, nor any of its subsidiaries, affiliates or persons controlled by or under common control with the Applicant has had a Federal or State mining permit suspended or revoked in the last five years; nor forfeited a mining bond or similar security deposit in lieu of bond".*

After you have reviewed the enclosed information please notify us if we have information to satisfy the Division deficiencies. If we do we will incorporate the information into the four Coastal States Energy Permits and submit them. If we still have outstanding deficiencies, let us know.

Sincerely,

Ken Payne
Vice President/General Manager
Utah Fuel Company

KP:KZ:dk

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