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JOHN M. BURKE

RECEIVED
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DIV. OF OIL, GAS & MINING

December 11, 1996

Daron Haddock, Permit Supervisor
Division of Oil, Gas, and Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

Re: Coal Mining Permit Transfers for Permits ACT/007/005, ACT/041/002, ACT/007/018, ACT/007/034, and Dugout Canyon Mine Permit (Pending)

Dear Daron:

The Canyon Fuel Company, LLC has submitted Applications for Permit Transfers for Permits ACT/007/005, the Skyline Mine; ACT/041/002, the SUFCo Mine; ACT/007/018, the Soldier Canyon Mine; and ACT/007/034, the Banning Loadout. Canyon Fuel Company has also submitted a request for Transfer of Application for the Dugout Canyon Mine. As explained in the applications for permit transfer, we anticipate a change in the name of the permittee for each of these mining operations. Presently, the permits are issued to Coastal States Energy Company or to Coastal States entities including; i.e., Southern Utah Fuel Company, Soldier Creek Coal Company, and Skyline Coal Company. In each case, the name of the permittee, upon approval of the Division of Oil, Gas, and Mining ("DOGM"), will change to Canyon Fuel Company, LLC.

The anticipated name change arises from a merger and sales transaction scheduled to close on December 20, 1996. Coastal States Energy Company and all of its subsidiaries, including the above-referenced coal mining permittees, will be merged into Canyon Fuel Company, LLC, and Arco Uinta Coal Company and Itochu Coal International, Inc. will purchase Canyon Fuel Company, LLC. The transfer applications document the pertinent changes in the permits that will occur because of this transaction. Closing of the transaction, however, is contingent upon DOGM's prior approval of the permit transfer applications. Coordination and timing with DOGM are therefore critical to the success of the anticipated closing. Such coordination is complicated by the fact that there are a number of pre-approval requirements that must yet be satisfied. In that regard, we suggest the following schedule of action items:

Action Item	Responsible Party	Date/Time
Submit proof of publication R645-301-117.200	Canyon Fuel Company, LLC	On or before 12/13/96
Complete preliminary review of transfer applications and advise Canyon of any deficiencies	DOGM	On or before 12/13/96
Comment period ends for SUFCo permit	N/A	5:00 PM 12/13/96
Submit reclamation agreements executed by Canyon Fuel Company	Canyon Fuel Company, LLC	12/20/96
Submit replacement bonds to DOGM pending the closing	Canyon Fuel Company, LLC	On or before 12/19/96
Submit certificate of liability insurance R645-301-117.100	Canyon Fuel Company, LLC	On or before 12/13/96
Submit information to correct deficiencies in transfer applications	Canyon Fuel Company, LLC	On or before 12/18/96
Comment period ends for Skyline, Soldier Canyon, and Banning Loadout permits and Dugout Canyon Application	N/A	5:00 PM 12/19/96
Approval of permit transfer	DOGM	After 5:00 PM 12/19/96
Transmit written notice of closing to DOGM	Canyon Fuel Company, LLC	12/20/96
Replace Coastal State bonds with Canyon bonds	DOGM	12/20/96

Final submission regarding identification of interests R645-301-112.900	Canyon Fuel Company, LLC	12/20/96
Final submission regarding violation history information R645-301-113.400	Canyon Fuel Company, LLC	12/20/96
Release of Coastal States Bonds	DOGM	12/20/96

The activities scheduled on December 19 and December 20 are critical. Canyon anticipates submission of the replacement bonds sometime before December 19, 1996. This should be the final submittal required for approval of the transfer applications. One of the contingencies required for the closing, which will occur in New York City, is approval of the permit transfer. Hence, we will arrange for our receipt of the written approvals after 5:00 pm on December 19, 1996. The Canyon bonds, however, ought not actually to be substituted for the Coastal States bonds until after the closing on December 20. Hence, our plan calls for DOGM to hold the bonds until it receives written confirmation from Canyon Fuel Company that the closing has occurred on the following day. DOGM will then replace the Coastal bonds with those that it has been holding from Canyon and release of the Coastal States bonds.

We appreciate your keeping us advised of the single public comment that you have received on the proposed permit transfers. If any additional comments are received, we would appreciate the opportunity to help resolve them in a way that will avoid delay of the permit transfers if possible.

Please share with us your thoughts regarding this proposed schedule. If you have any questions, please do not hesitate to contact Clay Parr or me.

Very truly yours,

John M. Burke

cc: Mary Ann Wright
David M. Arnolds
R. Kirk Mueller
Clayton J. Parr

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