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Misc

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Folder # 6



Kathleen J. Gormley
Attorney

Cyprus Minerals Company

7200 South Alton Way
Post Office Box 3299
Englewood, Colorado 80155
303-740-5824

November 19, 1985

RECEIVED

NOV 22 1985

**DIVISION OF OIL
GAS & MINING**

State of Utah
Natural Resources
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, UT 84180-1203

Attention: D. Wayne Hedberg
John T. Blake
Pamela Grubaugh

Plateau Mining Company - Utah State Coal Lease
ML-22729 and Utah State Mining and Reclamation Permit

Gentlemen:

Ben Grimes, of Plateau Mining Company's Price, Utah office has directed to me your inquiries regarding the current status of Plateau's mining lease and reclamation permits and bonds. Ben told me that you were concerned that the leases, bonds and permits had been transferred. However, that is not the case.

On August 30, 1985, the stock of Plateau Mining Company was purchased by Cyprus Western Coal Equipment Company, a second tier subsidiary of Cyprus Coal Company. The purchase of the stock did not involve any assignments of any of the assets of Plateau. Since the acquisition, Plateau Mining Company has continued to operate as an independent subsidiary of Cyprus Western Coal Equipment Company. However, the officers of Plateau Mining Company have changed, and the headquarters office has changed. Attached are copies of the officer lists of Plateau Mining Company, Cyprus Western Coal Equipment Company, Cyprus Western Coal Company (the parent of Cyprus Western Coal Equipment Company) and Cyprus Coal Company, the parent of Cyprus Western Coal Company. I am also enclosing a copy of Cyprus Minerals Company's Third Quarter Report. Cyprus Minerals Company is a publicly traded company, and is the parent of Cyprus Coal Company.

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I have reviewed UMC 788.17 through 788.19 of the Utah Underground Coal Regulations. It appears to me that the transaction by which Cyprus gained control of Plateau Mining Company does not constitute a transfer, assignment, or sale of the rights granted under permit. The permit granted to Plateau will be maintained by that company. The performance bond has not been transferred and remains outstanding in the original permittee.

I would appreciate it if you would contact me concerning the information I have provided. In particular, I would like you to confirm that you now have the information necessary for your records, and that nothing further is required from this company concerning the acquisition of Plateau Mining Company. I will look forward to working with you regarding this matter.

Very truly yours,

A handwritten signature in cursive script, reading "Kathleen J. Gormley". The signature is written in black ink and is positioned above the typed name.

Kathleen J. Gormley

dln

Enclosures

B. Grimes

PLATEAU MINING COMPANY

Officers:

President	D. P. Bellum
Executive Vice President	C. B. Stone, Jr.
Vice President and General Manager	J. J. Spiecha
Vice President	B. C. Minich
Vice President	M. S. Harrington
Vice President	L. R. Graber
Vice President	S. R. Snow
Vice President and Treasurer	D. C. Haugh
Vice President and Controller	G. E. Vajda
Assistant Treasurer	J. G. Hall
Assistant Controller-Tax	J. D. Flemming
Secretary	P. C. Wolf
Assistant Secretary	D. J. Friedman
Assistant Secretary	D. E. Huffman
Assistant Secretary	K. Loughrey

CYPRUS COAL COMPANY

Officers:

President	D. P. Bellum
Executive Vice President	C. B. Stone, Jr.
Vice President, Operations	D. P. Brown
Vice President, Sales	L. R. Graber
Vice President, Marketing and Development	M. S. Harrington
Vice President, Operations	B. C. Minich
Vice President, Technical Services	S. R. Snow
Vice President and Treasurer	D. C. Haugh
Vice President, Administration and Controller	G. E. Vajda
Secretary	P. C. Wolf
Assistant Treasurer	J. G. Hall
Assistant Controller-Tax	J. D. Flemming
Assistant Secretary	D. J. Friedman
Assistant Secretary	D. E. Huffman
Assistant Secretary	K. Loughrey

CYPRUS WESTERN COAL EQUIPMENT COMPANY

Officers:

President	D. P. Bellum
Executive Vice President	C. B. Stone, Jr.
Vice President	D. P. Brown
Vice President	B. C. Minich
Vice President	M. S. Harrington
Vice President	L. R. Graber
Vice President	C. G. Consalus
Vice President	S. R. Snow
Vice President	J. J. Spiecha
Vice President and Controller	G. E. Vajda
Treasurer	D. C. Haugh
Assistant Treasurer	J. G. Hall
Assistant Controller-Tax	J. D. Flemming
Secretary	P. C. Wolf
Assistant Secretary	D. J. Friedman
Assistant Secretary	K. Loughrey
Assistant Secretary	D. E. Huffman

CYPRUS WESTERN COAL COMPANY

Officers:

President	D. P. Bellum
Executive Vice President	C. B. Stone, Jr.
Vice President	D. P. Brown
Vice President	B. C. Minich
Vice President	M. S. Harrington
Vice President	L. R. Graber
Vice President	C. G. Consalus
Vice President	S. R. Snow
Vice President	J. J. Spiecha
Vice President and Controller	G. E. Vajda
Treasurer	D. C. Haugh
Assistant Treasurer	J. G. Hall
Assistant Controller-Tax	J. D. Flemming
Secretary	P. C. Wolf
Assistant Secretary	D. J. Friedman
Assistant Secretary	K. Loughrey
Assistant Secretary	D. E. Huffman

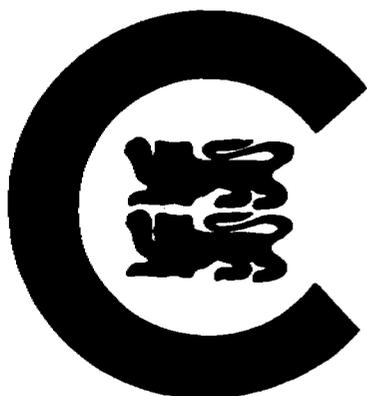


Cyprus Minerals Company

7200 South Alton Way
Post Office Box 3299
Englewood, Colorado 80155

November 15, 1985

Cyprus Minerals Company Third Quarter Report 1985



CYPRUS

Cyprus Minerals Company
c/o Chase Manhattan Bank
Post Office Box 971
Bowling Green Station
New York, NY 10274
Address Correction Requested

TO THE SHAREHOLDERS OF CYPRUS MINERALS COMPANY:

Net earnings of the Company for the third quarter of 1985 were \$15.5 million, or 59¢ per share, a sharp improvement from the loss incurred in the third quarter of 1984 of \$31.0 million, or \$1.18 per share.

This is the first report that we have made to you, and it is an exciting start for your new company. As you know, Cyprus became an independent company on July 1, 1985 when it was spun off by Amoco Corporation. Earnings reported herein have been adjusted to reflect Cyprus' status as an independent company.

Amoco left Cyprus in good shape on July 1. For years prior to the spinoff, Amoco made all the necessary capital expenditures to develop Cyprus into a first class mining company. That investment and our efforts are beginning to show returns.

The improvement in the Company's performance is the result of major cost reduction efforts in coal, metals, and industrial minerals, settlements of coal contracts, and income from two acquisitions completed in our first quarter of existence.

As the accompanying financial statements show, operating profit for the coal division totaled \$28.7 million in the third quarter, compared to \$17.1 million last year. The improvement resulted primarily from cost reductions at the Emerald mine in Pennsylvania and the Empire mine in Colorado, from coal contract settlements, and from the initial profits from the newly acquired coal properties in Utah and Colorado and the Knox Creek coal properties in southwestern Virginia. The Emerald and Empire mines both operate longwalls, the most modern method of underground coal mining which permits massive increases in productivity, and this equipment came into full production in the quarter.

The metals division recorded a loss of \$9.8 million for the quarter, as compared with the \$39.3 million loss for the same period of 1984. The improvement was due to increased production and reduced costs at the Bagdad copper mine in Arizona and the Thompson Creek molybdenum mine in Idaho, and to the absence of reserves established last year including one for the cancellation of a high cost copper smelting and refining contract. In the third quarter of 1985 Bagdad operated at near breakeven, while Thompson Creek continued to incur large losses due to low molybdenum prices. The Company is continuing its efforts to rationalize its investment in the Thompson Creek mine and further reduce costs.

In the industrial minerals division operating profit in the third quarter was \$4.1 million as compared with \$1.7 million a year ago. The improvement reflects higher talc and calcium carbonate revenues and a 1984 loss provision recorded in the limestone division. Market acceptance is growing for our fine ground calcium carbonate production for paper manufacturing.

The Company's total operating profit of \$23.0 million includes \$12.0 million of special items, such as price adjustments for coal sales and cancellation of a long-term coal sales contract. Excluding these special items, operating profit was \$11.0 million. Non-operating expenses were reduced by \$3.6 million in the quarter, compared to a year earlier, due in part to staff reductions, reduced interest charges and the sale of corporate aircraft.

The third quarter profit from operations is in contrast to large operating deficits throughout 1984 and the first half of 1985, prior to spinoff.

Sufficient cash flow was generated in the third quarter to pay down \$50 million of the \$75 million borrowed at the time of the spinoff.

As noted above, Cyprus completed two major coal acquisitions during its first quarter of existence. Neither required any cash from Cyprus. Three steam coal properties in Colorado and Utah were acquired from Texaco. Several metallurgical coal properties in Virginia were acquired from LTV Steel Company, Inc. and other parties. Both acquisitions were financed primarily through non-recourse loans. Both contributed to profits in the quarter under review. The acquisitions boost Cyprus' coal production under contract from 10 million to 14 million tons a year, production capacity from 12 million to 18 million tons a year, and recoverable reserves from 600 million to 900 million tons. These acquisitions should add significantly to future coal profits.

We are pleased to advise that Calvin A. Campbell, Jr. of Chicago has joined the Cyprus Board of Directors. Mr. Campbell is president and chief executive officer of Goodman Equipment Corporation, which produces locomotives for underground mines. Messrs. Frank C. Osment of Chicago, former executive vice president and director of Standard Oil Company (Indiana), and Vernon F. Taylor, Jr. of Denver, president of Westhoma Oil Company, were elected to the board in July. Previously announced directors include Kenneth F. Julin, James J. Kerley, Michael A. Morphy, Chester B. Stone, Jr., Philip C. Walsh, and the undersigned.

Our total long-term debt is \$150 million, or 10.9% of total capitalization which gives us one of the stronger balance sheets in the mining industry. We are generating cash from our operations. We have broken into the black. In general, your Company is off to a good start.

John C. Duncan
Chairman of the Board

Kenneth J. Barr
President & Chief Executive Officer

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N.J. 07601

CYPRUS

Cyprus Minerals Company and Subsidiaries

Consolidated Statement of Operations

(Unaudited)

(In Thousands, Except Per Share Amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	1985	1984	1985	1984
REVENUES:				
Operating Revenues	\$ 186,754	\$ 157,429	\$ 486,387	\$ 481,774
Other Income	4,245	206	1,924	1,529
	<u>190,999</u>	<u>157,635</u>	<u>488,311</u>	<u>483,303</u>
COSTS AND EXPENSES:				
Purchases	5,136	21,263	25,655	42,082
Operating Expenses	116,848	118,398	319,031	351,012
Exploration Expenses	1,479	2,615	6,104	7,594
Selling and Administrative Expenses	10,895	13,155	52,022	42,462
Taxes Other Than Income Taxes	11,014	9,423	31,660	32,112
Depreciation, Depletion, Amortization and Retirements and Abandonments	24,578	16,785	70,747	49,034
Interest Expense	4,564	5,345	15,861	15,603
	<u>174,514</u>	<u>186,984</u>	<u>521,080</u>	<u>539,899</u>
INCOME (LOSS) BEFORE INCOME TAXES	<u>16,485</u>	<u>(29,349)</u>	<u>(32,769)</u>	<u>(56,596)</u>
Income Taxes (Credits)	5,903	(16,593)	(21,986)	(33,044)
INCOME (LOSS) BEFORE PRO-FORMA ADJUSTMENT	<u>10,582</u>	<u>(12,756)</u>	<u>(10,783)</u>	<u>(23,552)</u>
Adjustment*	4,870	(18,271)	(25,604)	(37,171)
ADJUSTED NET INCOME (LOSS)*	<u>\$ 15,452</u>	<u>\$ (31,027)</u>	<u>\$ (36,387)</u>	<u>\$ (60,723)</u>
ADJUSTED NET INCOME (LOSS) PER SHARE*	<u>\$.59</u>	<u>\$ (1.18)</u>	<u>\$ (1.39)</u>	<u>\$ (2.32)</u>

Average Number of Shares of Common Stock Outstanding	1985	1984	1985	1984
	26,232	26,228	26,229	26,226

*On July 1, 1985, Amoco Corporation distributed all of the shares of Cyprus Minerals Company to its shareholders. Net income (loss) has been adjusted to eliminate taxes which would not have been provided by Cyprus as an independent company.

Consolidated Statement of Financial Position

(In Thousands)

	September 30, 1985	December 31, 1984
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and Equivalents	\$ 20,663	\$ 10,070
Accounts and Notes Receivable - Net	100,374	72,241
Inventories	123,743	106,283
Prepaid Expenses	9,232	7,432
Total Current Assets	<u>254,012</u>	<u>196,026</u>
Investments and Sundry Assets	<u>22,937</u>	<u>29,218</u>
Net Properties	<u>1,499,423</u>	<u>1,553,078</u>
Total Assets	<u>\$ 1,776,372</u>	<u>\$ 1,778,322</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current Portion of Long-Term Debt	\$ 1,991	\$ 61,459
Accounts Payable	46,184	46,624
Accrued Liabilities	36,738	35,130
Taxes Payable	11,952	10,911
Total Current Liabilities	<u>96,865</u>	<u>154,124</u>
Noncurrent Liabilities:		
Long-Term Debt	150,118	169,223
Amounts Due Amoco	—	46,032
Other	33,194	34,505
Total Noncurrent Liabilities	<u>183,312</u>	<u>249,760</u>
Deferred Income Taxes	<u>263,756</u>	<u>231,861</u>
Minority Interests	<u>6,946</u>	<u>11,906</u>
Shareholders' Equity:		
Common Stock	1,435,325	1,330,204
Accumulated Deficit	(205,984)	(195,201)
Foreign Currency Translation Adjustment	(3,848)	(4,332)
Total Shareholders' Equity	<u>1,225,493</u>	<u>1,130,671</u>
Total Liabilities and Shareholders' Equity	<u>\$ 1,776,372</u>	<u>\$ 1,778,322</u>

Consolidated Statement Of Changes In Financial Position

(Unaudited)

(In Thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	1985	1984	1985	1984
SOURCE OF FUNDS:				
Funds Provided from Operations	\$ 39,084	\$ 10,110	\$ 91,859	\$ 55,197
Contributions to Capital by Amoco	—	11,888	104,942	65,924
New Long-Term Debt	36,453	208	36,460	218
Dispositions of Property	3,647	17,474	19,907	24,387
Other - Net	(7)	8,883	265	6,624
Total	<u>79,177</u>	<u>48,563</u>	<u>253,433</u>	<u>152,350</u>
APPLICATION OF FUNDS:				
Capital Expenditures	5,189	18,470	36,591	35,531
Reduction of Long-Term Debt	694	483	55,565	65,183
Decrease in Amounts Due Amoco	—	34,167	46,032	105,566
Total	<u>5,883</u>	<u>53,120</u>	<u>138,188</u>	<u>206,280</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ 73,294</u>	<u>\$ (4,557)</u>	<u>\$ 115,245</u>	<u>\$ (53,930)</u>

Information by Industry Segment

(Unaudited)

(In Thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	1985	1984	1985	1984
OPERATING REVENUES:				
Coal	\$ 103,772	\$ 100,643	\$ 257,229	\$ 292,595
Metals	50,963	25,699	132,069	93,595
Industrial Minerals	32,019	29,897	97,089	94,394
Corporate and Other	—	1,190	—	1,190
Total Operating Revenues	<u>\$ 186,754</u>	<u>\$ 157,429</u>	<u>\$ 486,387</u>	<u>\$ 481,774</u>
OPERATING PROFIT:				
Coal	\$ 28,701	\$ 17,123	\$ 37,777	\$ 42,365
Metals	(9,844)	(39,343)	(36,417)	(77,897)
Industrial Minerals	4,100	1,678	9,331	9,232
Other	—	1,259	—	1,259
Total Operating Profit	<u>22,957</u>	<u>(19,283)</u>	<u>10,691</u>	<u>(25,041)</u>
Corporate Expense and Other	(6,472)	(10,066)	(43,460)	(31,555)
PRE TAX INCOME (LOSS)	<u>\$ 16,485</u>	<u>\$ (29,349)</u>	<u>\$ (32,769)</u>	<u>\$ (56,596)</u>
SALES:				
Coal (M tons)	2,773	2,693	6,957	7,787
Metals				
Copper (MM lbs.)	52	18	113	88
Molybdenum (MM lbs.)	5	2	16	5
Fine Ground Industrial Minerals (M tons)	<u>249</u>	<u>231</u>	<u>745</u>	<u>731</u>

Stock Transfer Agent:
The Chase Manhattan Bank
Corporate Trust Department
1 New York Plaza
New York, NY 10081

CYPRUS