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**KAISER  
COAL**

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*cc K May*  
*DRD*  
*L Braxton*

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DIVISION OF  
SAC

December 19, 1985

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Mr. Rick Holbrook  
Office of Surface Mining  
Western Technical Center  
Brooks Tower  
1020 15th Street  
Denver, Colorado 80202

Re: Current Status of Kaiser Coal's Sunnyside Permit Revision  
and Review of Notes from November 5, 1985 Meeting with the  
Office of Surface Mining in Denver, Colorado

Dear Rick:

With regard to the Sunnyside Permanent Program Permit and the Permit Revision, we at Kaiser Coal Corporation ("Kaiser Coal") felt it appropriate to give you a brief overview of where we understand our permitting to be. We have appreciated your involvement with regard to working with us for both Permanent Program Permit approval of our Sunnyside Mines and the approval of a subsequent Permit Revision. Likewise, it is our understanding that all of the Office of Surface Mining ("OSM") personnel are working toward prompt approval of these items.

We at Kaiser Coal are still proceeding under the belief that our Permanent Program Permit for the Sunnyside Mines will be approved by January 2, 1986 and the Permit Revision will be approved shortly thereafter.

We want to review the following items and express our understanding of their status. If you have any questions or comments regarding our understanding conveyed in this letter, please let me know immediately.

- Submittal and Review of Sunnyside Permit Revision
- Status of Sunnyside Permanent Program Permit
- Submittal of Resource Recovery and Protection Plan to Bureau of Land Management ("BLM")
- Meeting with OSM officials in Washington, D.C.
- Review of Sunnyside Permit Revision by OSM
- November 5, 1985, Meeting Notes

Mr. Rick Holbrook  
December 19, 1985

Page Two

#### SUBMITTAL AND REVIEW OF SUNNYSIDE PERMIT REVISION

As you know, Kaiser Coal submitted a Permit Revision encompassing 150 acres, to the Utah Division of Oil, Gas and Mining ("UDOGM") on November 4, 1985. UDOGM forwarded copies of the Permit Revision to OSM on November 6, 1985. To date, UDOGM has completed review of the revision and subsequently sent comments and questions to Kaiser Coal on December 11, 1985. We have responded to the UDOGM questions and comments. From telephone conversations with UDOGM staff members, Kaiser Coal believes that there are no outstanding concerns or issues by UDOGM with regard to the Permit Revision. We expect that UDOGM will be prepared to approve the permit revision following public notice and review period; this should occur in early January, 1986.

#### STATUS OF SUNNYSIDE PERMANENT PROGRAM PERMIT

It is our understanding that the OSM Denver Technical Center has finished its review of the Permanent Program Permit, and the decision document has been sent to Washington, D.C. for final Assistant Secretary approval. Likewise, it is our understanding that both OSM and UDOGM have resolved all outstanding issues with regard to the Permanent Program Permit. Although the holiday season is rapidly approaching, which tends to disrupt activities in Washington, D.C. (and elsewhere), it is our understanding that approval of the Sunnyside Permanent Program Permit should be forthcoming by OSM on January 2, 1986. We are still proceeding with the understanding that the Sunnyside Permit Revision can be approved subsequent to the Sunnyside Permanent Program Permit approval.

#### SUBMITTAL OF RESOURCE RECOVERY AND PROTECTION PLAN TO BUREAU OF LAND MANAGEMENT ("BLM")

Kaiser Coal held a meeting with representatives of the BLM in Salt Lake City, Utah on November 8, 1985. The purpose of this meeting was to discuss their requirements with regard to mining of Lease SO-068754, specifically in regards to the 150 acres to be covered under the Permit Revision. Kaiser Coal visited with Jackson Moffitt and Boyd McKean of the BLM. At the request of these individuals from the BLM, Kaiser Coal prepared and submitted a Resource Recovery and Protection Plan ("R2P2") to the BLM on December 10, 1985. Seven (7) copies of this R2P2 have subsequently been sent to OSM for its file and information.

Kaiser Coal explained the critical situation and timing with regard to the Permit Revision to the BLM; the BLM has agreed to work diligently

Mr. Rick Holbrook  
December 19, 1985

Page Three

on approving the R2P2 plan such that their review and approval will not hinder the timing for January approval of the Permit Revision. The BLM has indicated that formal approval of the R2P2 cannot be issued until requested by OSM. BLM will review the R2P2 on an informal basis and, assuming the R2P2 is acceptable, be prepared to issue formal approval as soon as requested by OSM.

#### MEETING WITH OSM OFFICIALS IN WASHINGTON, D.C.

At the suggestion of OSM officials during the Kaiser Coal meeting with OSM in Denver, Colorado on November 5, 1985, representatives from Kaiser Coal met with Mr. Jed Christensen and Mr. Jim Workman in Washington, D.C. on November 27, 1985. The purpose of this meeting was to explain to OSM officials in Washington, D.C. the importance of a timely approval Sunnyside Permanent Program Permit. This meeting was purposely held prior to the OSM Denver Technical Center sending the approval and decision document to Washington, D.C. because Kaiser Coal did not want to appear to be interfering with OSM processes once the decision and approval document arrived in Washington, D.C. Nonetheless, because of the critical nature of the situation, Kaiser Coal believed that it was imperative to meet with these OSM representatives, stress the urgency of the situation, explain the potential production shortfalls and employee reductions, and offer any assistance to OSM.

We appreciated the opportunity to meet with these OSM representatives in Washington, D.C. and left the meeting with a belief that these representatives understood the Kaiser Coal Sunnyside needs and overall urgency of the situation.

#### REVIEW OF SUNNYSIDE PERMIT REVISION BY OSM

It is our understanding that OSM is working with UDOGM on review of the Sunnyside Permit Revision. It is our understanding that OSM has no major difficulties with the Permit Revision and is simply working through their process to approve the Permit Revision once the Permanent Program Permit is issued. Based on earlier conversations with OSM, it is believed that Fish and Wildlife clearance should not be a problem for the revision and the concurrence by the BLM with regard to the mine plan should be forthcoming as a result of their review of the R2P2 document. If you have any differing view of the status of the Permit Revision by OSM, please notify me at Kaiser Coal within one (1) week of the receipt of this letter.

NOVEMBER 5, 1985, MEETING NOTES

Somehow, in the shuffle of paperwork and the work with the various government agencies on the Sunnyside Permanent Program Permit and the Permit Revision, we overlooked documenting the discussion at our November 5, 1985 meeting with OSM in Denver, Colorado. Therefore, we felt that it would be appropriate to briefly summarize this meeting for both our files.

Participating in the meeting on November 5, 1985 in Denver, Colorado were the following individuals:

Dick Dawes - Office of Surface Mining  
Rick Holbrook - Office of Surface Mining  
Bill Kovacic - Office of Surface Mining  
Rick Lawton - Office of Surface Mining  
Mel Schilling - Office of Surface Mining  
Clyde Borrell - Kaiser Coal Corporation  
Jeff Collins - Kaiser Coal Corporation  
Jeff Desautels - Kaiser Coal Corporation  
Marty Holmes - Kaiser Coal Corporation  
Dave Sturges - Delaney and Balcomb, Attorneys at Law  
Alan Czarnowsky - ACZ INC.

The purpose of this November meeting was to discuss the urgency of the Sunnyside Mines situation with regard to the Permanent Program Permit and the necessity for a Permit Revision. Although Kaiser Coal had been working and held several meetings with UDOGM, we felt it necessary to appraise OSM of the situation. Because of the critical time schedule regarding production and employment, we felt the meeting was valuable in familiarizing key OSM personnel with the Kaiser Coal Sunnyside operation and furthermore, in explaining the areas of concern to Kaiser Coal.

The following were the general items discussed in the meeting:

- Brief Overview and History: Kaiser Steel Corporation and Perma Resources
- History of B/C Canyon
- Status of Sunnyside Permanent Program Permit
- Request for Permit Revision
- Necessity for Prompt Approval of Permit Revision
- Working Relationship with UDOGM
- Clearance by Other Government Agencies of Permit Revision
- Section 510 Clearance

- Bonding
- New B/C Canyon Permit and On-the-Ground Compliance at Sunnyside
- Meeting with OSM Officials in Washington, D.C.
- Schedule for Review and Approval of Permit Revision by OSM

Brief Overview and History: Kaiser Steel Corporation and Perma Resources

During our meeting, we attempted to clarify the relationship of Kaiser Steel Corporation and Perma Resources. As you know, Perma Resources bought coal reserves and existing coal mines from Kaiser Steel Corporation in 1984. Prior to the purchase by Perma Resources, the Kaiser Steel Corporation operations, specifically the Sunnyside Mines, were in a period of production cutbacks, employee reductions, and low overall production scenarios with little prospect for the future. In fact, at the rate the operation was proceeding in the early 1980's, temporary or permanent closure of the Sunnyside operation was envisioned. Upon purchase of the Sunnyside operation in Utah, Perma Resources undertook an aggressive program of marketing, engineering, financial review, and change in management philosophy. These changes almost instantaneously reversed the outlook for the Sunnyside Mines. Production levels have risen and are projected to continue to rise; employees layed off previously have been called back to work (many of these employees left the State of Utah); and the outlook for the future looks very good as marketing contacts produced solid coal contracts.

History of B/C Canyon

The B/C Canyon is an adjoining tract of coal north of the present Sunnyside operation. This area is a logical extension for future Sunnyside operations. As you know, the Sunnyside operation is one of the oldest operating underground coal mines in the United States. Because of its relative age, the Sunnyside Mines are mining deep coal in less than optimum mining conditions.

Kaiser Coal did not overlook its need to expand the Sunnyside operation into B/C Canyon and as early as January, 1985, representatives of Kaiser Coal met with UDOGM to discuss the need to expand the Sunnyside operations into the B/C Canyon area. At this time, UDOGM felt that this area should be encompassed under a separate permit. Kaiser Coal explained that mining must be initiated in this block by early 1986 in order to maintain and meet production requirements. At this time, UDOGM assured Kaiser Coal that permit

approval could be granted by the fall of 1985 if a permit was submitted during the spring of 1985. Unfortunately, although Kaiser Coal submitted a Permit Application for B Canyon only on May 28, 1985, it became apparent that UDOGM and OSM would not be in a position to provide timely approval of the B Canyon Permit Application. Therefore, it became apparent that Kaiser Coal must work with UDOGM and OSM to find an alternative solution to the potential production shortfalls in 1986 and beyond. As a result, Kaiser Coal representatives met with UDOGM in Salt Lake City, Utah on October 8, 1985 and discussed the possibilities of a Permit Revision and, at some point in the future, re-submittal of a complete, more detailed permit application for the entire B/C Canyon Permit area.

#### Status of Sunnyside Permanent Program Permit

At the November 5, 1985 meeting, Kaiser Coal reviewed with OSM the status of the Sunnyside Permanent Program Permit. Kaiser Coal was apprehensive that there might be difficulties with the Permanent Program Permit which would create delays in final approval. This thought was troublesome since OSM and UDOGM have been working on the Sunnyside Permit since its submittal in 1980. OSM assured Kaiser Coal that there were only minor governmental administration problems with the Permanent Program Permit and these issues could be worked out with the UDOGM. OSM felt that there would be no difficulty in having a decision and approval document ready to be delivered to Washington, D.C. in early December, 1985. In addition, OSM assured Kaiser Coal that approval of the Permanent Program Permit should occur in January of 1986.

#### Request for Permit Revision

Because of the need to begin development work for underground longwall mining in the B/C Canyon area in early 1986, Kaiser Coal has requested a revision to the Sunnyside Permit. However, OSM cautioned that no permit revision could be approved until the Permanent Program Permit was approved. Nonetheless, OSM was cognizant of the Kaiser Coal situation and agreed to proceed concurrently on final review of the Sunnyside Permanent Program Permit and the Permit Revision. Kaiser Coal has requested a 150 acre revision to the Sunnyside Permit; as was explained to OSM, the Sunnyside Permit area contains over 14,000 acres. OSM stated that it believed a revision could be approved subsequent to the Permanent Program Permit approval and this permit revision approval could be made from the Denver Western Technical Center rather than Washington, D.C.

### Necessity for Prompt Approval of Permit Revision

Kaiser Coal faces an extremely difficult situation. If longwall development mining is not initiated in early 1986, then Kaiser Coal will have extreme difficulty fulfilling its production in late 1986 and beyond. Kaiser Coal has worked very diligently during 1985 to secure viable and good coal contracts, even though most of the coal industry has been in a severely depressed state. As a result of the acquisition of these coal contracts, Kaiser Coal has called back many miners that were formerly laid off. In fact, some of these miners were called back from other states to which they and their families had moved.

### Working Relationship with UDOGM

Kaiser Coal has worked with UDOGM in regard to the critical nature of the Sunnyside mining operation. UDOGM has agreed to work with Kaiser Coal and OSM to ensure timely and productive approval of the Permanent Program Permit and the subsequent Permit Revision.

### Clearance by Other Government Agencies of Permit Revision

Kaiser Coal will work with any other government agencies with regard to concurrence or clearance of aspects of the Permit Revision. OSM assured Kaiser Coal that two (2) agencies to be dealt with are the BLM and the Fish and Wildlife Service. OSM did not perceive there to be any difficulties with Fish and Wildlife clearance of the Permit Revision; likewise, OSM suggested that Kaiser Coal contact the BLM with regard to mine plan requirements for the Lease SL-068754. The BLM is in charge of reviewing and approving mine plans on Federal coal; their approval and clearance must be received by OSM before any approval can be made of the Permit Revision by OSM.

### Section 510 Clearance

OSM reviewed its Section 510 Clearance policy with Kaiser Coal. This policy basically involves sending information to all other coal producing states regarding possible operations and violations by a company in that state. This search sometimes involves 60 to 90 days. Any outstanding violations by a company will be noted during this search. Any pattern of violations, unpaid civil penalties, etc. will be assessed; the Section 510 Clearance process can often hinder permit approvals for a company in any other state.

Kaiser Coal assured OSM that it is making diligent effort at all Kaiser operations in New Mexico, Colorado, and Utah (the only states in which Kaiser Coal has an operating mines) to ensure compliance with all appropriate regulations. OSM stated that the Section 510 Clearance is only there to delineate the chronic violators.

#### Bonding

It is believed that the bond should not change for the Permit Revision. Presently, Kaiser Coal is working with UDOGM with regard to the bond for the Permanent Program Permit. Kaiser Coal will work to assure that the bond is made out both to the State of Utah and the U.S. Government and the description in the bond covers not only the Permanent Program Permit area but also the Permit Revision area.

#### New B/C Canyon Permit and On-the-Ground Compliance at Sunnyside

Although Kaiser Coal is actively pursuing a permit revision, it nonetheless is cognizant of its need to obtain approval for all of B/C Canyon as a logical extension to the Sunnyside operation. Therefore, Kaiser Coal is undertaking the work necessary to prepare a detailed permit application for the B/C Canyon area. This permit application will be prepared in the winter and spring of 1985 and 1986 with submittal in the summer of 1986. Kaiser Coal will work diligently to prepare a comprehensive and complete document for submittal both to UDOGM and OSM. Since the Permit Revision, if approved in 1986, should be sufficient for Kaiser Coal operations until the spring of 1987, Kaiser Coal believes that a complete application submitted in the summer of 1986 will allow ample time for both UDOGM and OSM to review, comment on, and approve a comprehensive B/C Canyon Permit Application.

In addition, Kaiser Coal has changed some responsibilities for its personnel. From now on, all permitting work will be conducted through the Kaiser Coal Colorado Springs office. The mining personnel will provide input to the Colorado Springs personnel in the form of review and data submittal, but Colorado Springs will be responsible for the preparation and submittal of all permit applications. In addition, the mine personnel at the Sunnyside operation will concentrate on on-the-ground compliance with all rules and regulations.

#### Meeting with OSM Officials in Washington, D.C.

The OSM Western Technical Center stressed the need for Kaiser Coal to work very carefully with both UDOGM and the Denver OSM personnel. OSM Western Technical Center stressed that any problems, comments, or

Mr. Rick Holbrook  
December 19, 1985

Page Nine

questions should come through the Denver office. Nevertheless, Kaiser Coal stressed its apprehension regarding the sensitivity of Washington, D.C. OSM personnel to an issue in Utah. Denver OSM personnel recommended that Kaiser Coal could go to Washington, D.C. around the end of November to explain the entire situation. This trip should be scheduled prior to the decision document of the Western Technical Center being sent to Washington, D.C. Rick Holbrook of OSM suggested that a Kaiser Coal representative call him on November 18 between 1:00 and 3:00 PM regarding an individual to be contacted in Washington, D.C. Tentatively, Jim Workman, Deputy Director of OSM, was labeled as an individual that Kaiser Coal could visit with in late November regarding the critical nature and timing of the Sunnyside situation.

#### Schedule for Review and Approval of Permit Revision by OSM

OSM stated that a Permit Revision will be made subsequently to the approval of the Permanent Program Permit. Permit Revisions to a Permanent Program Permit can be made by the Denver office without submittal to Washington, D.C. OSM believes that the decision and approval document will be sent to Washington, D.C. in early December, 1985 for the Permanent Program Permit. Subsequent to this concurrence by Washington, D.C. OSM personnel, the Western Technical Center believes that approval of the Permanent Program Permit can be made on January 2, 1986. In addition, Mel Schilling of OSM stated that OSM will work to review the Permit Revision concurrently with other Sunnyside work such that final approval of the Permit Revision can be granted by the OSM Denver Technical Center immediately following approval of the Permanent Program Permit. The UDOGM has already indicated to Kaiser Coal that their approval of the Permit Revision should be forthcoming in early January of 1986.

We at Kaiser Coal appreciate the work by you and other OSM personnel. We recognize that the information and schedules discussed above do not represent a final approval of the Permanent Program Permit application or the Permit Revision. However, we believe that OSM is working diligently to approve both these documents in early 1986.

We appreciated meeting with you and other OSM representatives on November 5, 1985, and the subsequent conversations we have had with OSM personnel. At this time, we would appreciate any written response or comments on our meeting and/or your opinions on the present status of the work. Unless we hear otherwise from you, we will assume that we correctly understand the current status and timing of the Permanent Program Permit and the Permit Revision. Should we have misunderstood, please let us know within the next two (2) weeks.

Mr. Rick Holbrook  
December 17, 1985

Page Ten

We all recognize the short time frame to the Permit Revision, and we will need to maintain open lines of communication with you. We invite you or any of your staff working on this project to contact me within any questions or requests. Thank you again for your time and interest to date.

Sincerely,

KAISER COAL CORPORATION

A handwritten signature in cursive script that reads "Martin P. Holmes". The signature is written in dark ink and is positioned above the typed name and title.

Martin P. Holmes  
Manager  
Permits and Compliance

AWC/ig

cc: Jim Workman, OSM  
Ray Lowrey, OSM  
Allen Klein, OSM  
Diane Nielson, UDOGM