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**KAISER
COAL**

KAISER COAL CORPORATION
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RECEIVED

AUG 09 1985

August 6, 1985

**DIVISION OF OIL
GAS & MINING**

Mr. John Whitehead
Permit Supervisor/Reclamation Hydrologist
Utah Department of Natural Resources
Division of Oil, Gas, and Mining
355 West North Temple, 3 Triad Center, Suite 350
Salt Lake City, UT 84180-1203

RE: Meeting in Salt Lake City, Utah on August 1, 1985 to
Discuss Permissible Activities and Permit Timelines for
Kaiser Coal's B Canyon, C Canyon and Horse Canyon
(Blackhawk Mine) Properties.

Dear John:

We appreciated the opportunity to meet with you, and later with
Dianne Nielson, on Thursday, August 1, 1985, in your office in
Salt Lake City, Utah. This letter will confirm discussions
from our meeting.

Participating in the meeting were the following individuals:

John Whitehead - Division of Oil, Gas and Mining
Wayne Hedberg - Division of Oil, Gas and Mining
Ken Perry - Kaiser Coal Corporation
Jeff Collins - Kaiser Coal Corporation
Jeff Desautels - Kaiser Coal Corporation
Denise Dragoo - Fabian & Clendenin
Marty Holmes - Kaiser Coal Corporation

The items which were discussed at the meeting are outlined on
the attached agenda.

I Kaiser Personnel and Responsibilities

Recently, there has been new assignments of job
responsibilities for certain employees of Kaiser Coal
Corporation regarding permitting and project development
activities. Ken Perry is now Project Manager for the
development of C Canyon and the Blackhawk Mine. Marty
Holmes, Manager of Permits and Regulatory Compliance in

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the Colorado Springs office, is responsible for permitting of B Canyon, C Canyon and the Blackhawk Mine. It is requested that correspondence and inquiries from the State be directed to him in regard to these properties. Doug Pearce will maintain the responsibility of securing permit approval for the Sunnyside Mines but will also begin a more concentrated effort to develop and maintain a sound environmental compliance program for ongoing operations. For permitting and project development assistance, Ken, Doug and Marty will be able to draw upon any one of the following individuals as needed: Jeff Collins, Associate General Counsel, Jeff Desautels, Director of External Affairs and Denise Dragoo, Attorney for Fabian & Clendenin in Salt Lake City.

II B Canyon Permit

Kaiser Coal submitted the B Canyon permit application package (PAP) to the Division on May 28, 1985. As of this date, Kaiser Coal has not yet received a completeness determination on the PAP from the Division. Because of reserve depletion in the Sunnyside Mine and economic considerations, Kaiser Coal will need to move into B Canyon coal in November 1985. Kaiser Coal is willing to provide any assistance to expedite permit approval, including funds for an outside contractor to review and respond on the PAP. Kaiser Coal will also temporarily locate staff in Salt Lake as needed to coordinate with the Division in the review process.

The Division indicated it will finish the completeness review in mid to late August. The continual processing of the Sunnyside permit has precluded the Division from initiating review of the B Canyon PAP. The Division is not optimistic about a November approval for B Canyon but indicated that they would utilize their best efforts to meet that date. The Division further indicated that the use of an outside contractor for permit review is not a viable option as there are strong feelings that this would take even longer than if it were done within the Division. Kaiser Coal expressed their concern for the B Canyon approval date to Dianne Nielson and she was to check with the staff and get back to Jeff Collins of Kaiser Coal.

III C Canyon Permit

Kaiser Coal outlined a schedule for a C Canyon permit which included a permit submittal in January 1986 and a need for permit approval in November 1986. Kaiser Coal

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will be contacting the Division to arrange conferences to discuss the scope of environmental programs in the areas of hydrology and air quality. The Division provided Kaiser Coal with copies of several Division guidelines including the draft guidelines for establishment of surface and ground water monitoring programs.

IV Horse Canyon (Blackhawk Mine)

Kaiser Coal informed the Division that the former U.S. Steel Geneva Mine in Horse Canyon is now named the Blackhawk Mine. Kaiser Coal was requesting direction from the Division as to requirements for reentry into the sealed mine portals to establish ventilation and explore the workings for a period of about two to three weeks. After this time Kaiser plans to remove waste rock and water from the mine. If it is found that mining conditions are favorable, Kaiser Coal may wish to begin mining activities sometime in late 1986.

Dianne Nielson, Director of the Division approved Kaiser Coal's reentry through the mine portals for the initial two to three week period without the submission of an exploration permit or other documentation. Mr. Wayne Hedberg indicated that he would confirm the same in a letter to Kaiser. A notice of intent to explore, filed with the Division, would be required to remove waste rock, dewater the mine and remove up to 250 tons of coal. The Division's position on mining under the presently existing "Interim Permit" is as outlined in the Board order dated September 28, 1984, which stated that "underground coal mining operations at the Geneva Mine are temporarily suspended pending the Division's approval of a permanent program permit.....".

As a result of the above discussions, Kaiser Coal undertook steps to reenter the Blackhawk Mine on August 2, 1985 to explore the workings. No specific dates were discussed for Kaiser's preparation or the Division's processing of permits for exploration or mining.

V General

The question was discussed as to whether or not the South Lease permit application should be withdrawn or left on record. The Division has been told previously by Kaiser to suspend any review of the application until notified

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otherwise. The consensus seemed to be that it should be withdrawn but that it is Kaiser Coal's decision.

Kaiser Coal expressed a desire to, in the near future, give a more formal and complete presentation to the Division on Kaiser Coal's overall organization and specifically mine development plans in the State of Utah. The Division was receptive to the gesture.

Again, we appreciate the opportunity to meet with you and discuss our company's activities and plans.

A separate letter will follow which will prioritize Kaiser's current and planned permitting actions. We welcome any comments regarding the format and contents of this confirmation letter. Because of the complexity of the topics which we routinely discuss, we believe these letters will serve as a useful management tool which will enhance communication between the Division and Kaiser Coal.

Please contact me at (303) 475-7005 if you have any questions. Please tell Lowell we are sorry we missed him but look forward to seeing him the next time we are in Salt Lake City.

Sincerely,



Martin P. Holmes
Manager Permitting and
Regulatory Compliance

MPH/klk

Enclosure

cc: Dianne Nielson, DOGM
Lowell Braxton, DOGM
Charles McGlothlin, Kaiser - Sunnyside
Denise Dragoo, Fabian & Clendenin
Jeff Collins, Kaiser - Colorado Springs