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ADMITTED IN WASHINGTON, D.C.

FILE NO.

November 13, 1986

Jeffrey Collins, Esq.  
Associated General Counsel  
Kaiser Coal Corporation  
102 South Tejon Street, Suite 800  
Colorado Springs, Colorado 80901-2679

Re: Sunnyside Area Water Rights

Dear Jeff:

I have enclosed a copy of a letter I prepared for you in November of 1985 summarizing all of the water rights Kaiser Coal Company owned in Grassy Trail Creek, Range Creek and the Price River drainage areas. I have not taken the time and effort to review this list against the State Engineer's current records to see whether or not there have been any changes in the ownership or status of these water rights. I assume, however, that your records would indicate whether or not any of the water rights have been sold, and would also contain information regarding the water rights you may have acquired from the Denver & Rio Grande railroad. I would be happy to do some further checking at the State Engineer's office if you would like me to do so.

I also looked at Water User Claim No. 91-3054, which is the water right in Range Creek Kaiser sold to Amoco Production Company. This transfer apparently occurred in 1979. The water rights were transferred as an appurtenance with the land in Sections 2 and 3 of Township 14 South, 14 East which Kaiser sold to Amoco and is one of the various stock watering rights which Kaiser held in Range Creek Canyon. This one had a date of priority of 1870.

All of the stock watering rights had been lumped together in the proposed determination with an aggregate yield of 25.20 acre feet of water. Amoco would be entitled to some proportionate share of the 25.20 acre feet of water, but it is difficult to tell precisely what that amount would be.

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Amoco, however, filed a temporary change application in 1984. In that application it represented that its right under 91-3054 equaled 1.20 acre feet of water for stock watering during the grazing season of April through October. It sought to temporarily change 1 acre foot to industrial use to aid in exploratory drilling in the area. The temporary change application would have expired at the end of calendar year 1984. However, it apparently it was never pursued by Amoco and was not approved.

Kaiser appears to own all of the remaining stock watering rights as inventoried in my November 6, 1985 letter to you. That assumes there have been no additional transfers of land and appurtenant water rights by Kaiser since that date.

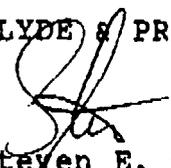
Finally, I have enclosed copies of the proposed determination for the Price River and lower Green River drainage. (Books Nos. 5 and 6.) Book No. 6 is the index. Book No. 5 contains the water user claims for Kaiser's water rights. We had multiple copies of these and I have given you these extras.

If you have any questions about this, please call me.

Best regards.

Very truly yours,

CLYDE & PRATT

  
Steven E. Clyde

SEC/jl  
Enclosure