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DIVISION OF OIL
GAS & MINING

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January 20, 1986

Honorable Norman H. Bangerter
Governor of Utah
State Capitol Bldg., Room 210
Salt Lake City, UT 84114

Dear Governor Bangerter:

I want to take this opportunity to bring you up to date on Kaiser Coal Corporation's activities in Utah. As you recall, last August 19th you and members of your staff met with Dave Wolach, Kaiser's Vice President of Marketing; Denise Dragoo of Fabian & Clendenin: and me in your office. At that time we discussed your upcoming trip to the Far East, and we brought you up to date on Kaiser's coal properties near Price, and our ability and desire to be in the running for competitive export coal sales. In that regard, we would welcome the opportunity to discuss the outcome of your trip with you at your convenience.

At the same time, we took the opportunity to apprise you of Kaiser's intentions and needs regarding permitting in what we call the B and C Canyon areas, north of and adjacent to our existing Sunnyside Mines. All too often we in the business community find ourselves writing to our elected officials only to complain about the treatment we have received. I want you to know how happy I am to be able to write you this letter telling you what a great job your Division of Oil, Gas and Mining did on our permitting, from Director Dianne Nielson on down.

In August we told you we needed the utmost help and cooperation from the DOGM, and the federal OSM, to complete permitting to enable us to begin development work in B Canyon by early in 1986. We were somewhat pessimistic at the time that our permits could be approved in time, and the result would be a serious setback in our expansion plans. I'm extremely happy to report to you that we have received the permits we needed, on time. Your staff, as well as the OSM, are to be congratulated for the extremely cooperative manner in which everyone approached this difficult schedule.

Our task is not complete, of course. Kaiser has the burden of successfully developing and marketing the excellent reserves in

B and C Canyons. We have a tight schedule before us to submit a full scale permit application for the remainder of the B and C Canyon areas, and we hope to obtain the same sort of excellent cooperation from state and federal officials to obtain approval of those permits as well. Our outlook is made much more optimistic by the professionalism shown by everyone in Sale Lake City we have worked with to date.

In yet another development, on December 30, 1985, Kaiser purchased two properties from U. S. Steel Mining Company--the Somerset Mine near Paonia, Colorado, and the Wellington Preparation Plant near Price. At the same time, Kaiser and U. S. Steel entered into a contract under which Kaiser will supply all of the high-volatile metallurgical coal requirements to the Geneva Steel Mill near Provo. Both the Somerset Mine and Wellington Plant were idled by U. S. Steel prior to our purchase.

The supply contract gives Kaiser a new customer for significant coal tonnage, and the Wellington Plant gives us a wash plant we can use when we open our proposed South Lease area mine, without having to undertake the added expense of building an expensive wash plant from scratch. We feel this agreement is in the best interests of both parties, and feel the State of Utah will stand to gain significantly from the economic benefits of shifting the Geneva coal supply contract to Sunnyside.

We will be happy to answer any questions you may have, and look forward to meeting with you again in the near future.

Very truly yours,

Jeffrey H. Desautels
Director of External Affairs

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