

FABIAN & CLENDENIN

A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

P. O. BOX 510210
TWELFTH FLOOR
215 SOUTH STATE STREET
SALT LAKE CITY, UTAH 84111
TELEPHONE (801) 531-8888
TELECOPIER (801) 596-5555

HAROLD P. FABIAN
1985-1975
BEVERLY S. CLENDENIN
1989-1971
SANFORD M. STODDARD
1909-1974

KEVIN N. ANDERSON
JATHAN W. JANOVE

NORMAN J. YOUNKER
MICHELE MITCHELL
JOHN E. S. ROBSON
DOUGLAS B. CANNON
ANDY K. JOHNSON
ROBERT PALMER REES
JODI KNOBEL FEUERHELM
KENLEY W. BRUNSDALE
DOUGLAS J. PAYNE
PATRICK L. ANDERSON
SHELDON A. SMITH
DIANE H. BANKS
P. BRUCE BADGER
BRYON J. BENEVENTO
JOHN (JACK) D. RAY
MICHAEL L. CHIDESTER

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VIA TELECOPY

December 16, 1988

Barbara Roberts, Esq.
Assistant Utah Attorney General
124 State Capitol Building
Salt Lake City, Utah 84114

RE: Reclamation and Settlement Agreement --
Kaiser Coal Corporation

Dear Barbara:

Louis Kuchinic, Jr., with North American Coal, and I have the following comments with respect to the December 9, 1988 draft Reclamation and Settlement Agreement. On behalf of Kaiser Coal Corporation ("Kaiser"), we would like to meet with you on Wednesday, December 21, 1988 at 1:30 p.m.

1. Recitals, Paragraph B, Line 5: Amend "were" to "was".
2. Recitals, Paragraph C: This recital should be amended to reflect the fact that Sunnyside Mine and Wellington Preparation Plant were placed under temporary cessation pursuant to the Division's letter of December 8, 1988.
3. Recitals, Paragraph E, Page 3, Line 1: Should this reclamation obligation for the Wellington Preparation Plant be in 1989 dollars or 1993 dollars?
4. Recitals, Paragraph H, Page 4, Line 6: Add the following phrase at the end of the sentence:

. . . satisfying the Reclamation Obligation and funding the on going organizational and accounting requirements of Coal.

Barbara Roberts, Esq.
December 16, 1988
Page 2

Note that Kaiser will need to fund certain business organizational activities, such as accounting, and has no other cash collateral to maintain these operations except for funds generated from the sale of the assets of Coal. For this reason, a certain sum needs to be earmarked and set aside for these organization purposes in order to keep Coal from sliding into Chapter 7.

5. **Agreement, Section 3, Page 6, Bonding:** Clarify whether the Wellington Preparation Plant reclamation liability should be in 1989 dollars or 1993 dollars at line 9.
6. **Agreement, Section 8(a), Page 8, Line 3:** Reinsert the phrase "State and federal law, including but not limited to,". Note that Kaiser may be required to expend funds necessary to meet the requirements of other state and federal laws beyond the reclamation laws listed at 8(a) and should be allowed to make such expenditures to preserve the Utah collateral.
7. **Agreement, Section 8(a), New (b):** Add a new section (b) as follows:

(b) Second, against the costs and expenses incurred in connection with maintenance of the corporate existence of Kaiser Coal Corporation, including but not limited to, accounting and bookkeeping functions;
8. **Agreement, Section 8(b), (c) and (d):** Renumber these paragraphs as (c), (d) and (e).
9. **Agreement, Section 10, Page 9, Line 7:** The first word on this line should be "release" rather than "relaize".
10. **Agreement, Section 11, Reclamation Fund:** Delete this section. Kaiser should have the flexibility to make distributions from proceeds generated from the Utah collateral without prior written approval of DOGM. Kaiser will agree to make an accounting of these distributions; however, prior written approval of DOGM is overly burdensome on the debtor.

Barbara Roberts, Esq.
December 16, 1988
Page 3

11. **Acknowledgement:** The signatures on this Agreement should be acknowledged so that this Reclamation and Settlement Agreement can be recorded with the County Recorder pursuant to UMC 800.16(e)(2).

Please let me know if you have any comments concerning this matter prior to our meeting on December 21, 1988.

Very truly yours,



Denise A. Dragoo

DAD:jmc:l21688A

cc: ✓ Dr. Dianne R. Nielson
Louis Kuchinic, Jr.
Harold G. Morris, Jr., Esq.
Harrie F. Lewis, Esq.