

0004

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO IN BANKRUPTCY

DEC 14 1988

In re:)
)
 KAISER STEEL CORPORATION,) Bankruptcy No. 87 B 01552 E
)
 Debtors.) (Jointly Administered)

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER
 AUTHORIZING KAISER COAL TO ENTER INTO A LICENSE
 AGREEMENT WITH SUNNYSIDE RECLAMATION & SALVAGE, INC.,
 PURSUANT TO SECTION 363(b)

This matter came before the Court upon the Application filed by Kaiser Coal Corporation, Kaiser Coal Corporation of Sunnyside and Kaiser Coal Corporation of Utah ("Kaiser Coal") to enter into a License Agreement with respect to their Sunnyside Mines in Carbon County, Utah, with Sunnyside Reclamation & Salvage, Inc. ("SR&S").

Proper notice and opportunity to be heard was given of the Application to all creditors and parties in interest. No objections were filed, or if objections were filed, they were denied by the Court after a hearing.

THEREFORE, IT IS ORDERED as follows:

1. That the License Agreement between Kaiser Coal and SR&S is approved in all respects and that the proper officers of Kaiser Coal are authorized to take any and all actions required or contemplated by the License Agreement, including, without limitation, the execution and delivery of same.

2. That all creditors claiming a security or other interest in the assets subject to the License Agreement have either consented to the use of assets of the Kaiser Coal estate as provided in the License Agreement, or failed to request adequate protection of such interests, or are not entitled to adequate protection or have been adequately protected.

Dated this _____ day of January 1989.

BY THE COURT:

Charles E. Matheson, United States
 Bankruptcy Judge

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO IN BANKRUPTCY

In re:

KAISER STEEL CORPORATION,
Debtors.

DEC 9 1988

Bankruptcy No. 87 B 01552 E
(Jointly Administered)

NOTICE PURSUANT TO RULE 23 OF APPLICATION BY
KAISER COAL FOR APPROVAL OF LICENSE AGREEMENT
AT THE SUNNYSIDE MINE WITH SUNNYSIDE RECLAMATION &
SALVAGE, INC., PURSUANT TO SECTION 363(b)

TO ALL PARTIES IN INTEREST:

NOTICE IS HEREBY GIVEN that Kaiser Coal Corporation, Kaiser Coal Corporation of Sunnyside and Kaiser Coal Corporation of Utah have collectively applied to this Court for approval of a License Agreement with Sunnyside Reclamation & Salvage, Inc. ("SR&S"), with respect to their Sunnyside Mines in Carbon County, Utah. A copy of the Motion for such approval and the License Agreement with SR&S are included with this Notice.

Pursuant to Rule 23 of the Local Rules of Bankruptcy Procedure, if you desire to oppose this action, you must file a written request for a hearing with the Court on or before January 4, 1989, and serve a copy of the written request for hearing upon the applicant named below. Objections or requests for hearing shall clearly specify the grounds upon which they are based, including the citation of supporting legal authority, if any. General objections or requests for hearings will not be considered by the Court.

In the absence of a timely and substantiated request for hearing by an interested party, the Court will act on the aforementioned application on January 9, 1989.

Dated this 9th day of December 1988.

SHERMAN & HOWARD

By Craig A. Christensen
Craig A. Christensen
Harold G. Morris, Jr.
Harrie F. Lewis
633 17th Street, #3000
Denver, CO 80202
Telephone: (303) 297-2900

ATTORNEYS FOR KAISER COAL CORPORATION,
KAISER COAL CORPORATION OF
SUNNYSIDE AND KAISER COAL CORPORATION
OF UTAH

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO IN BANKRUPTCY

In re:)
)
KAISER STEEL CORPORATION,) Bankruptcy No. 87 B 01552 E
)
Debtors.) (Jointly Administered)

DEC 9 1988

MOTION BY KAISER COAL FOR APPROVAL OF LICENSE
AGREEMENT AT THE SUNNYSIDE MINE WITH
SUNNYSIDE RECLAMATION & SALVAGE, INC.,
PURSUANT TO SECTION 363(b)

Kaiser Coal Corporation, Kaiser Coal Corporation of Sunnyside and Kaiser Coal Corporation of Utah (collectively, "Kaiser Coal"), through their counsel, Sherman & Howard, respectfully request authorization to use or lease property of the Kaiser Coal estate pursuant to Section 363(b) of the Bankruptcy Code. In support of this Motion, Kaiser Coal states as follows:

1. Kaiser Coal filed petitions in bankruptcy pursuant to Chapter 11 on February 13, 1987. Kaiser Coal continues to operate its business as debtor-in-possession.

2. Part of the Kaiser Coal estate consists of assets and property known as the Sunnyside Coal Mines 1, 2 and 3 and related surface facilities located in Carbon County, Utah.

3. After previous unsuccessful efforts to sell the Sunnyside Mines, Kaiser Coal idled the mines in April 1988 due, initially, to regulatory strictures and, subsequently, to the pending sale of a critical piece of mining equipment (known as a longwall) by its lessor pursuant to a rejected lease.

4. As a result of extensive marketing efforts, Kaiser Coal has now entered into a License Agreement with Sunnyside Reclamation & Salvage, Inc. ("SR&S"), for the operation and reclamation of the Sunnyside Mines, a true and accurate photocopy of which is attached to this Application as Exhibit A (the "License Agreement").

5. SR&S is an affiliate of privately held Colorado Coal & Coke which operates the International Anthracite Mine in Pennsylvania.

6. AS PARTIAL CONSIDERATION FOR THE PROSECUTION OF THIS APPLICATION, SR&S HAS AGREED TO ASSUME THE COSTS AND MANAGEMENT REQUIRED TO MAINTAIN THE SUNNYSIDE OPERATION PENDING COURT APPROVAL, WHICH COSTS ARE ESTIMATED AT \$150,000 PER MONTH. SR&S HAS ASSUMED THESE OBLIGATIONS EFFECTIVE FRIDAY, DECEMBER 2, 1988, SUBJECT TO THE CONDITIONS THAT NO COMPETING OFFER FOR THE SUNNYSIDE MINES BE CONSIDERED UNLESS IT INCLUDES A PROVISION FOR REPAYMENT TO SR&S OF ALL COSTS INCURRED BY SR&S IN MAINTAINING AND PRESERVING THE PROPERTY AND THE RIGHT OF SR&S TO CEASE SUCH PAYMENTS UPON REASONABLE NOTICE TO KAISER COAL IN LIGHT OF PROGRESS AT ANY GIVEN TIME TOWARD COURT APPROVAL OF THIS APPLICATION.

7. Kaiser Coal strongly believes that these conditions of funding Sunnyside operations pending Court approval are eminently reasonable given the facts that, despite considerable effort, no alternative funding source is available and that without such funding power will be shut off to the Sunnyside Mines, the Mines will flood, equipment will be lost and the asset will lose virtually all of its value.

8. As additional consideration for the License Agreement, SR&S will pay to Kaiser Coal either \$50,000 or \$100,000 for each calendar quarter during which coal is mined, removed or sold from the Sunnyside Mines by SR&S. The required payment will be \$100,000 if SR&S is able to make satisfactory arrangements to use the longwall equipment referred to in Paragraph 3 above.

9. The License Agreement also requires SR&S to pay into an escrow account controlled by the State of Utah an amount of \$2.00 per ton sold to secure the reclamation obligation at the Sunnyside Mines. SR&S will, subject to the terms of the License Agreement, conduct the required reclamation, upon the successful completion of which SR&S will be entitled to the cash security in such escrow account.

10. The term of the License Agreement is two years and it may be extended by SR&S for an additional two-year term. SR&S maintains, however, the right to terminate the License Agreement at any time upon 30 days' notice. No operations are authorized pursuant to the License Agreement until SR&S obtains approval of this Court as well as authorizations from all necessary governmental authorities.

11. SR&S is also required to satisfy 1986, 1987 and 1988 Carbon County property taxes, plus abandoned mined reclamation fees unpaid to date by Kaiser Coal.

12. SR&S may use, without further payment, all of Kaiser Coal's owned equipment at the Sunnyside Mines in conducting its operations pursuant to the License Agreement.

13. The License Agreement should be referred to for its specific provisions. The foregoing is merely a summary of pertinent provisions and the actual language of the License Agreement will control the rights and obligations of Kaiser Coal and SR&S.

14. Kaiser Coal believes the License Agreement is in the best interest of its estate and its creditors because: SR&S undertakes to satisfy significant liabilities Kaiser Coal cannot fund; payments to Kaiser Coal may allow it to defray other obligations; in an absolute emergency situation during which the very existence of the Sunnyside Mines was threatened, SR&S stepped forward and agreed to pay the costs of preserving the property; and the License Agreement represents the best proposal received by Kaiser Coal for the Sunnyside Mines.

15. Mr. David B. Corman is the vice-president of SR&S. Mr. Corman also is the president of BXG, Inc. ("BXG"). BXG was employed pursuant to this Court's order of March 17, 1987, by the Official Unsecured Creditors Committee in the Kaiser Steel Corporation estate to consult on matters related to the coal properties. Subsequently, BXG was employed pursuant to this Court's order of March 25, 1988, by the Debtors as an expert witness. BXG has submitted fee applications related to these employments that are on file in these proceedings. Kaiser Coal believes that the License Agreement does not violate Local Rule 37, which specifies persons that are prohibited from purchasing property from an estate, because SR&S is not purchasing property from the Kaiser Coal estate under the License Agreement. Further, neither Mr. Corman nor BXG is ". . . serving as trustee, disbursing agent, appraiser, auctioneer, examiner, accountant, or attorney for a trustee, in any matter before this Court."

WHEREFORE, Kaiser Coal respectfully requests that the Bankruptcy Court approve the License Agreement pursuant to Section 363(b) of the Bankruptcy Code, conditioned only upon

either the consent of creditors with security interests in the property subject to the License Agreement or adequate protection of such interests.

Respectfully submitted this 9th day of December, 1988.

SHERMAN & HOWARD

By: 
Craig A. Christensen
Harold G. Morris, Jr.
Harrie F. Lewis
633 17th Street, #3000
Denver, CO 80202
Telephone: (303) 297-2900

ATTORNEYS FOR KAISER COAL CORPORATION,
KAISER COAL CORPORATION OF
SUNNYSIDE AND KAISER COAL CORPORATION
OF UTAH

LICENSE AGREEMENT

THIS AGREEMENT, made and entered into this ____ day of _____, 1988, by and between KAISER COAL CORPORATION, KAISER COAL CORPORATION OF SUNNYSIDE and KAISER COAL CORPORATION OF UTAH (hereinafter collectively called "Licensor") and SUNNYSIDE RECLAMATION & SALVAGE, INC., a Colorado corporation (hereinafter called "Licensee").

WITNESSETH:

RECITALS:

A. Licensor is debtor in possession in jointly administered bankruptcy proceedings designated as Case No. 87 B-01552 E pending before the United States Bankruptcy Court for the District of Colorado.

B. Licensor is the owner of the Sunnyside Coal Mines 1, 2 and 3 located in Carbon County, Utah more particularly described in Exhibit A attached hereto and made a part hereof (hereinafter referred to as the "Premises").

C. Licensor is not currently operating the Premises and is not presently financially capable of conducting operations thereon.

D. Licensor is obligated to reclaim the Premises pursuant to the terms of its Reclamation Permit No. ACT/007/007 (hereinafter referred to as the "Permit").

E. Licensee is willing to discharge the reclamation obligations of Licensor by performing the reclamation work required to comply with the terms of the Permit, provided the costs of such work can be defrayed by a portion of the proceeds from the sale of coal to be produced from the Premises by Licensee.

F. Licensor has agreed to grant Licensee the exclusive right and privilege to mine and sell coal from the Premises, in consideration of Licensee's commitment to reclaim the Premises and in consideration of Licensee's payments to Licensor as hereinafter provided.

AGREEMENT:

In consideration of the mutual promises and agreements herein contained, Licensor and Licensee, intending to be legally bound hereby, covenant and agree as follows:

1.(A) Licensor hereby grants to Licensee, for the term hereof, subject to the approval of the Bankruptcy Court, the Utah Department of Oil, Gas & Mining, the U.S. MSHA and

Licensors Secured Lenders the exclusive right, privilege and license:

- (i) to conduct reclamation operations on the Premises as required by the terms of the Permit as the same may be modified and amended during the term hereof, and
- (ii) to develop mine, remove and sell all coal which may be found in the Premises, and
- (iii) to use, as may reasonably be necessary in Licensee's mining and reclamation operations hereunder and for their normal and customary uses, the facilities, buildings, equipment, machinery, vehicles and other personal property and fixtures described in Exhibit B attached hereto and made a part hereof, and all other property of Licensor on the Premises necessary or convenient to the conduct of such operations. Licensee hereby agrees to maintain such personal property according to industry standards and to return the same at the end of the term hereof in the same condition as at the commencement of the term of this License Agreement, ordinary and reasonable wear and tear excepted.

(B) Licensor hereby grants to Licensee, for the term hereof, the right, privilege and license to use all water and water rights, trackage rights, disposal rights on the existing GOB pile, easements and rights of way, leases and licenses and other rights and interests of Licensor necessary or convenient to the conduct of the mining and reclamation operations contemplated by this Agreement (it being expressly understood that such rights include all necessary rights of access, ingress and egress between the Premises and public roadways and the D&RG Railway).

(C) Licensor covenants and warrants that the rights hereinabove granted are sufficient to vest in Licensee good and marketable title to all coal mined and removed by it from the Premises free and clear of all liens, encumbrances, adverse claims, and obligations of Licensor under the terms of any coal supply agreements with third parties, except the tax liens described in Exhibit C attached hereto and made a part hereof which shall become the obligation of Licensee upon the effective date hereof.

2. Unless sooner terminated as herein provided, this Agreement shall remain in full force and effect for a term of two (2) years from and after its "effective date." The "effective date" of this Agreement shall be the later of (i) the date upon which it is approved by the United States Bankruptcy Court for the District of Colorado, (ii) the date upon which all

necessary authorizations for the conduct of operations hereunder shall have been obtained from the United States and the State of Utah, or (iii) the date upon which Licensee shall have secured the right to use, during the term of this Agreement and any extension hereof, the machinery and equipment owned by third parties and located on the Premises described in Exhibit D attached hereto and made a part hereof. If the conditions set forth in this Section 2 shall not have occurred on or before March 1, 1989, this Agreement shall be void and of no further force and effect. Licensee shall have the right to extend the term hereof for an additional period of two (2) years by giving Licensor written notice of its election to extend at least sixty (60) days prior to the end of the initial two-year term.

3.(A) In the event that, within thirty (30) days from the effective date of this Agreement, Licensee is able to secure from the owner or owners thereof the right to use, for the term of this Agreement and any extension thereof, the shearing machinery, face conveyors, shielding equipment and related equipment commonly referred to by the parties hereto as the "Westphalia Longwall", Licensee shall pay to Licensor, within three (3) days following the end of each ninety (90) day period during the term of this Agreement and any extension hereof during which coal production occurs hereunder, the sum of One Hundred Thousand Dollars (\$100,000.00). (Coal production is defined as the removal or sale of any coal by Licensee from the Premises.)

(B) In the event that Licensee is unable to secure, within thirty (30) days from the effective date of this Agreement, the right to use the Westphalia Longwall for the term of this Agreement and any extension thereof, Licensee shall pay to Licensor, within three (3) days following the end of each ninety (90) day period during the term of this Agreement and any extension hereof during which coal production (as defined above) occurs hereunder, the sum of Fifty Thousand Dollars (\$50,000.00).

4.(A) Licensee shall conduct no mining or reclamation operations on the Premises until all necessary authorizations have been obtained from agencies of the State of Utah and the United States having jurisdiction. Licensee shall proceed expeditiously and in good faith to secure such authorizations.

(B) Licensee shall deposit Two Dollars (\$2.00) per ton of coal mined and sold from the Premises (or such lesser amount per ton as may be agreed to between Licensee and the State of Utah) into an escrow account to be designated by the State of Utah to secure the reclamation of the Premises pursuant to the Permit (as the same may be modified and amended during the term hereof). The escrow account shall be deemed fully funded and Licensee's obligation to make deposits hereunder shall cease when the balance in such account equals the estimated cost of reclaiming and closing the Premises agreed to between Licensee and the State of Utah.

(C) Licensee anticipates that the agreement with the State of Utah whereby Licensee is permitted to conduct operations on the Premises pursuant to the terms hereof will authorize Licensee to use the funds deposited in escrow pursuant to section 4(B) above to defray the costs of reclaiming the Premises. Licensee hereby covenants and agrees to perform reclamation operations on the Premises pursuant to the Permit (as modified and amended) to the extent that the costs thereof are covered and defrayed by the amounts made available to Licensee for such purpose out of said escrow. Licensee shall be entitled to all amounts deposited by it in said escrow in excess of the amount required to defray its costs to completely reclaim the Premises pursuant to the Permit.

5. Licensee, in addition to paying the compensation stipulated in Section 3 and the amounts to be paid into escrow stipulated in Section 4, shall pay before delinquent all taxes and assessments levied or assessed on or after the effective date hereof upon the coal in place or the coal rights which are the subject of the license granted in Section 1 hereof, and Licensee shall, commencing with the effective date hereof, pay before delinquent any production, severance, license or similar fees, taxes and royalties assessed upon or on account of the mining of coal from the Premises, including, without limitation, reclamation fees imposed by Section 402 of SMCRA and the excise tax imposed by Section 4121 of the Federal Black Lung Benefits Act of 1977.

6. Licensor, through its authorized representatives, shall at all times have the right to enter and inspect any mine on the Premises and to make, at its own expense, any survey that it may deem necessary. At Licensor's election, Licensee hereby agrees to reimburse Licensor for the salary, benefit and reasonable living expenses (not to exceed \$6,450 per month) of an employee of Licensor during the term of this Agreement. Licensor's employee shall be available at the Premises, at all reasonable times at the request of Licensee, to provide Licensee the services customarily rendered by a mining engineer and to assist Licensee in the compliance requirements specified in Section 7 hereof.

7. In the conduct of Licensee's mining operations and reclamation activities on the Premises, Licensee shall fully conform and comply with all applicable federal, state and municipal laws, ordinances, regulations and orders, specifically including those covering reclamation, mine safety and pollution control. Licensee shall conduct its operations under this Agreement as a prudent operator in accordance with generally accepted industry standards. Licensee shall promptly furnish Licensor with a copy of all agreements, approvals, permits and mining or reclamation plans entered into, received from or filed with any competent governmental agency. Without limiting the generality of the foregoing, Licensee further agrees as follows:

- (i) Licensee shall indemnify and hold Licensor harmless from any and all fines, violations or penalties arising from Licensee's operations hereunder.
- (ii) Licensee shall obtain its own identification number from MSHA. Licensor shall cooperate and shall temporarily transfer to Licensee its MSHA-approved plans for the Premises for the term of this Agreement.
- (iii) Licensee shall undertake all MSHA record keeping requirements and shall comply fully with all other MSHA regulations during the term of this Agreement.

8. Licensee shall keep accurate written books and records of all coal mined and sold, including books and records showing the basis upon which payments are made into the escrow account pursuant to Section 4(B). Such books and records shall be available for inspection by Licensor or its representative at Licensee's offices during regular business hours.

9. Licensee shall provide at its cost, risk and expense all equipment, materials, power and personnel necessary for its mining and reclamation operations under this Agreement and to perform its obligations under this Agreement. Licensee shall fully pay for any and all machinery, equipment and materials which it shall cause to be affixed to the Premises. (This provision is not intended to apply to any item described in Exhibit B or any other property of Licensor on the Premises used by Licensee in the conduct of its operations.) Licensee shall not permit or suffer any liens of any kind or nature to be enforced against the Premises for any work done or machinery, equipment, materials or supplies furnished at the request of or on behalf of Licensee.

10. Licensee agrees to hold Licensor and its officers, agents, and employees harmless from and indemnify them and each of them against any and all loss, damage, claims, demands, and causes of action, including all costs and expenses incident thereto, for injury to or death of persons whomsoever, or loss of or damage to property whatsoever, including claims, demands and causes of action to which any insurer may be subrogated, arising out of, resulting from, or in any way connected with mining or reclamation operations conducted under this Agreement, the condition of the Premises (except any condition caused by any operation of the Licensor or any creditor, successor or assignee of Licensor or any other third party not under the control of Licensee or a contractor of Licensee on the Premises before or after the effective date hereof), or arising by failure of Licensee to perform any covenant herein contained.

11. Licensor agrees to obtain adequate comprehensive general liability insurance at its expense and to maintain such insurance in full force and effect during the term of this Agreement.

12. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, provided that Licensee shall not assign this Agreement without the prior consent of Licensor being first obtained, which consent shall not be unreasonably withheld.

13. Any notices hereunder shall be in writing. Such notices, and the payments stipulated in Section 3, shall be mailed to the parties at their respective addresses as follows:

Licensor: Kaiser Coal Corporation
Box 1107
Raton, NM 87740

Attention: Louis Kuchinic

with copies to:

Kaiser Coal Corporation or Sunnyside
P.O. Box 10
Sunnyside, UT 84539

Attention: Bill Balaz

- and -

Harold S. Morris, Esq.
Sherman & Howard
633-17th Street, Suite 3000
Denver, CO 80202

Licensee: Sunnyside Reclamation & Salvage, Inc.
2033-11th Street
Boulder, Colorado 80203

Either party may at any time by written notice to the other party change the address to which notices or payments shall be sent.

14. Licensee shall have the right to terminate this Agreement at any time on thirty (30) days notice in writing to Licensor, and thereafter Licensor shall be under no further obligation or liability of any nature to Licensor. In the event of any termination of this Agreement, Licensee shall continue to be liable for any payment obligation hereunder accrued and unpaid on the date this Agreement is terminated.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

LICENSOR:

KAISER COAL CORPORATION

By: *Cliff Brundage*
PRESIDENT

KAISER COAL CORPORATION
OF SUNNYSIDE

By: *Cliff Brundage*
VICE PRESIDENT

KAISER COAL CORPORATION
OF UTAH

By: *Cliff Brundage*
VICE PRESIDENT

LICENSEE:

SUNNYSIDE RECLAMATION &
SALVAGE, INC.

By: *David B. Gorman*
VICE PRESIDENT

KAISER COAL CORPORATION SUNNYSIDE MINES

MINE PLAN

 MINED OUT AREAS

ML-17621

S&C

ML-17621

S&C
SL-062966
-063383
U-010140

U-32083

SL-068754

NO. 1 MINE

PRESENT LONGWALL LOCATION

S
REMAINING RESERVES

S&C

CC

SL-062966
-063383
U-010140

NO. 3 MINE

SUNNYSIDE FACILITIES

CC

S&RGW

S&C

NO. 2 MINE

FIGURE 14

EXHIBIT "B"

KAISER COAL CORPORATION OF SUNNYSIDE
MINE EQUIPMENT AND FACILITIES
PREPARATION PLANT

ITEM	DESCRIPTION	PURCHASE DATE
Plant Facility	McNally Pittsburgh Prep. Plant, 900 RTPH	1953
Plant Components	3 Ea. Rotary Car Dump w/65 Ton Bin	1952
	12 X 27 McNally Pittsburgh Rotary Breaker, 100 HP, Reject Feeder, 20 HP	1952
	Raw Coal Bins, 3500 Tons, 8 Compartments	1952
	Raw Coal Reclaim Loader Head (Outside Storage)	1975
	2 Ea. Baum Jigs, 6 Cell, 1.45 S.G.	1952
	Screen, 3/16, 57" X 48"	
	Shaker Screen, 25 HP, 2-Deck	
	Mixing Conveyor (Flight) 48", 100 HP	
	Crusher - Ring, 100 HP, 2"	
	2 Ea. Vibrating Feeders, 5 X 14, 15 HP	
	2 Ea. 60" Conveyors, 6'	
	* Flexwall Conveyor, 30", 325 FPM, 250 TPH	
	Flight Conveyor, 15 HP	
	2 Ea. Wemco 1300 Dryer	
	* Wemco 1300 Dryer - Spare (New)	
	Screen, 1 MM, 4' X 8'	
	Screen, 4' X 16', Refuse Screen	
	400-Ton Refuse Bin	
* Double-Deck Screen, 6' X 20'		
* 2 Ea. 900C Wemco Dryers		
Drag Tank and Flight Conveyor, 20 HP		
Elevating Bucket Conveyor, 30 HP		

* INDICATES LEASED EQUIPMENT

KAISER COAL CORPORATION OF SUNNYSIDE
MINE EQUIPMENT AND FACILITIES
PREPARATION PLANT

ITEM	DESCRIPTION	PURCHASE DATE
Plant Facility	McNally Pittsburgh Prep. Plant, 900 RTPH	1953
Plant Components	3 Ea. Rotary Car Dump w/65 Ton Bin	1952
	12 x 27 McNally Pittsburgh Rotary Breaker, 100 HP, Reject Feeder, 20 HP	1952
	Raw Coal Bins, 3500 Tons, 8 Compartments	1952
	Raw Coal Reclaim Loader Head (Outside Storage)	1975
	2 Ea. Baum Jigs, 6 Cell, 1.45 S.G.	1952
	Screen, 3/16, 57" X 48"	
	Shaker Screen, 25 HP, 2-Deck	
	Mixing Conveyor (Flight) 48", 100 HP	
	Crusher - Ring, 100 HP, 2"	
	2 Ea. Vibrating Feeders, 5 x 14, 15 HP	
	2 Ea. 60" Conveyors, 6'	
	Flexwall Conveyor, 30", 325 FPM, 250 TPH	
	Flight Conveyor, 15 HP	
	2 Ea. Wemco 1300 Dryer	
	Wemco 1300 Dryer - Spare (New)	
	Screen, 1 MM, 4' x 8'	
	Screen, 4' x 16', Refuse Screen	
	400-Ton Refuse Bin	
	Double-Deck Screen, 6' x 20'	
	2 Ea. 900C Wemco Dryers	
Drag Tank and Flight Conveyor, 20 HP		
Elevating Bucket Conveyor, 30 HP		

ITEM	DESCRIPTION	PURCHASE DATE
	Centrifugal Pump (Cyclone Feed), 150 HP	
	2 Ea. Centrifugal Pump (Jig Feed), 150 HP	
	2 Ea. 24" Cyclones	
	2 Ea. 10-Cell Fine Flotation Machines	
	Primary Cone Thickener, 20' X 15'	
	2 Ea. 8-Disk, 8' Dia. Vacuum Filters	
	2 Ea. 4-Cell Coarse Flotation Machines	
	Static Thickener, 120' Dia.	
	3 Ea. Agitator Conditioners	
	2 Ea. Weightometers	
	2 Ea. Air Compressors, 125 HP Stationary	
	Screw Conveyor, 8" x 35'	
	Drag Conveyor, 18" X 60' Boiler Coal	
	Rock Dump Conveyor, 25 HP, 60" x 30'	
	2 Ea. Vacuum Pumps, 75 HP	
	Sauerman Drag Scraper	
	Coal-Fired Boiler	
Buildings	Plant Office, 320 Sq. Fet.	1953
	Backfill Plant Bldg., 4,500 Sq. Ft. (60 Ft. High)	
	Prep. Plant Facility	1953
Conveyor Belts	"A" Belt, 60", 40 HP	
	"B" Belt, 48", 100 HP	
	"C" Belt, 48", 25 HP	
	"D" Belt, 48"	
	"E" Belt, 48"	
	Clean Coal Conveyor, 36", 200 HP	

ITEM	DESCRIPTION	PURCHASE DATE
Mobile Equip.	2 Ea. 100-Ton Dart Truck	1972
	35-Ton Cat Truck	1978
	Welding Truck, Chev.	1979
	Jeep Wagoneer, 1981	1981
	International 510 Front-End Loader	1983
	2 Ea. D-8K Bulldozer W/Ripper, Spare SM B	1977 1979
	D-9 Bulldozer, 66A Series	
	D-7 Bulldozer, 94N Series	1962
	Cat 992 Front-End Loader	
	Cat 950 Front-End Loader	
	Cat 920 Front-End Loader	
	Michigan Front-End Loader	
	Terex Front-End Loader	
	Water Truck, 20,000 Gallon	
	2 Ea. Road Graders	
2 Ea. old Cranes		
Coarse Refuse	1 Year Active Life, Permit Submitted For 25-Year Expansion	1987
Slurry Ponds	West Cell 10-Year Life Without Cleaning; Dike Is Currently Under Repair	1987

KAISER COAL CORPORATION OF SUNNYSIDE
MINE EQUIPMENT AND FACILITIES
SUNNYSIDE LABORATORY

ITEM	DESCRIPTION	PURCHASE DATE
Buildings		
Laboratory	530 Sq. Ft. Building	1983
East Prep.	400 Sq. Ft. Building	1983
West Prep.	300 Sq. Ft. Building	1986
Computer	IBM Personal Computer, 2-disk Drive, Monochrome, Hayes Modem, Epson FX100	1985
Laborary Equip.	Bauch & Lamp Spectrometer	1985
	* Leco Mac-400 Proximate Analyzer W/Control Center	1985
	* Leco AF-600 ACH Fusion Analyzer W/Printer	1985
	Parr Calorimeter W/Master Controller	1985
	* Leco SC-132 Sulpher Analyzer	1985
	Frisco Package F51 Determinator	1985
	3 Ea. Despatch Air Dry Oven	1970
	Holmes Hammer Mill, 10 x 15	
	Holmes Hammer Mill, 6 x 10	
	Holmes Pulverizer	
	Corning Distiller	1985
	Barnstad Water Purifier	
	Thermoline Temcometer	1985
	Gilson Screen	
	Ro-Tap Sive Screen	
	Muffle Furnace	
	6 Ea. Mettler Electronic Balances	Various
	Corning PH Meter	

* INDICATES LEASED EQUIPMENT

ITEM	DESCRIPTION	PURCHASE DATE
Air Compressor	Sear's, 3 HP	1985
Trucks	1981 Ford, 3/4 Ton Pickup, 2WD	1981
	1983 Chev. Clubcab, 3/4 Ton Pickup	1983

KAISER COAL CORPORATION OF SUNNYSIDE
MINE EQUIPMENT AND FACILITIES
ENGINEERING OFFICE

ITEM	DESCRIPTION	PURCHASE DATE
Building	Engineering office, 1600 Sq. Ft., 4 offices, Bull Pen, 2 Bathroom, Fully Equipped and Furnished	1975
Computer Equip.	IBM Personal Computer, 2-Disk Drive, 640k, Bernoulli Box, Epson FX286	1985
	* Epson Equity II Personal Computer, 640k, 20-Meg, Hard Disk Drive, Monochrome, HP Laserjet Printer, HP 7475A Plotter, Summagraphics 12 x 12 Digitizer	1987
	HP 86B Personal Computer, Monochrome, 2-Disk Drive, HP 7475 Plotter	1984
Trucks	* 1985 Chev., 4WD, Pickup	1985
	1983 Ford, 2WD, Pickup	1983
Surveying Equipment	2 Ea. Wild Theodolites	Various
	2 Ea. Zeiss TH43 Theodolites	1980's
	K&E Autoranger Distance Meter	
	Top Con Distance Meter	
	Zeiss Level	
	2 Ea. Permissible Laser	
	Complete Assortment Of Legs And Accessories	

* INDICATES LEASED EQUIPMENT

KAISER COAL CORPORATION OF SUNNYSIDE
MINE EQUIPMENT AND FACILITIES
UNDERGROUND OPERATING EQUIPMENT

ITEM	DESCRIPTION	PURCHASE DATE
Underground Equipment	* Wagner Scoop Tram, 5s-20x	
	Pemco Load Center, AK750	
	* Fletcher Roof Bolter, DDO-13-F	
	Joy Shuttle Car, 10SC22	11/75
	Long Airdox Feeder Breaker, 4MFBH4OA	06/81
	Joy Miner, 12CM-5-8B	03/79
	* Lee-Norse Roof Bolter, TD2-43	
	Joy Shuttle Car, 10SC-2248	03/77
	Joy Miner, 12CM-5	10/79
	Pemco Load Center, KIOOO	
	Elkhorn Scoop Tram, AR-95	05/75
	* S&S Scoop Tram, 601	
	Joy Shuttle Car, 10SC22	11/75
	Wagner Scoop Tram, LST-55	
	Ingersoll-Rand Scoop Tram, S175L	
	Elkhorn Scoop Tram, AR-95	02/75
	* Fletcher Roof Bolter, DDR-13-DC	
	Jeffrey Miner, 1036 HP	07/85
	Joy Miner, 12CM11	10/79
	Lee Norse Roof Bolter	

* INDICATES LEASED EQUIPMENT

ITEM	DESCRIPTION	PURCHASE DATE
	Long Airdox Feeder Breaker	09/85
	Fletcher Roof Bolter	
	Fletcher Roof Bolter, DDR-13-D	
	Joy Miner, 12CM-5-88	03/76
	Joy Miner, 12CM-5	01/76
	* Petito Mule	07/86
	* National Mine Service Shuttle car, 48c	08/85
	* National Mine Service Shuttle car, 48c	08/85
	* Joy Miner, 12CM-5	
	Fletcher Roof Bolter, DDO-13-E	09/86
	Case Loader, 580C	
	* 3 Ea. Isuzu Diesel 1/4 Ton Mantrip Trucks	09/86
	1 Ea. Jeffrey Diesel Locomotive	1985
	* 1 Ea. Eimco Diesel Locomotive	1986
	2 Ea. General Electric Locomotives	

* INDICATES LEASED EQUIPMENT

**KAISER COAL CORPORATION OF SUNNYSIDE
MINE EQUIPMENT AND FACILITIES**

ITEM	DESCRIPTION	PURCHASE DATE
Substations, Fans, & Hoists	Lower Whitmore Substation To Twin Shaft Fan And #1 Slope, Surface To Surface, Surface To Underground, 4160 Volt	
	Fan, 4160V, 300 HP	
	Outcrop Substation To #1 Hoist, Main Parting and 4th slope, Surface To Underground, 7200 Volt	
	Hoist, Motor, 2 Ea., 500 HP Motors, 4000 Volt, Nordberg	
	Fan, Outcrop Blowing, 480 Volt, 150 HP	
	Upper Whitmore Substation To Manshaft, 12.5 KVA, Dips, Surface To Underground	
	Tipple And Roadside Substation, Surface To Underground	
	Hoist, No. 3 slope, 4160 Volt, 600 HP, Nordberg	
	Fan, No. 3, Exhaust	
	Fan Canyon Substation, Surface To Underground	
	Fan, No. 2, Blowing, 4160 Volt, 350 HP	
	Hoist, No. 2, 2300 Volt, 600 HP, Nordberg	

KAISER COAL CORPORATION OF SUNNYSIDE
 OPERATING EQUIPMENT AND FACILITIES
 UNDERGROUND CONVEYORS

ITEM	DESCRIPTION	PURCHASE DATE
Conveyor and Belt Drives	350 HP, 42" Belt, 3800 Ft. Long, Long-Airdox	1974
	350 HP, 48" Belt, 600 Ft. Long, Long-Airdox	1974
	* 500 HP, 48" Belt, 2500 Ft. Long, Goodman	1986
	300 HP, 48" Belt, 600 Ft. Long, Continental	1975
	* 500 HP, 48" Belt, 2800 Ft. Long, Goodman	1986
	* 500 HP, 48" Belt, 5600 Ft. Long, Continental	1978
	350 HP, 48" Belt, 1400 Ft. Long, Long-Airdox	1974
	350 HP, 48" Belt, 2600 Ft. Long, Long-Airdox	1974
	400 HP, 42" Belt, 3300 Ft. Long, Long-Airdox	1972
	500 HP, 48" Belt, 2700 Ft. Long, Goodman	1987
	900 HP, 48" Belt, 4700 Ft. Long, Hewitt-Robins	1978

* INDICATES LEASED EQUIPMENT

KAISER COAL CORPORATION OF SUNNYSIDE
MINE EQUIPMENT AND FACILITIES
MAIN OFFICE BUILDING

ITEM	DESCRIPTION	PURCHASE DATE
Main Office Components	4,000 Sq. Ft. Building With 8 Offices, Conference Room, Lobby and Reception Area, 2 Bathrooms, Fully Furnished	
Main Office Computers	1 Ea. Epson, Equity III, 20 MB., Hard Disk With 1 Ea. 369 K Floppy Drive and 1 Ea. 1.2 MB Floppy Drive and FX-85 Printer	1986
	1 Ea. Panasonic Executive Partner With 2 Ea. 360 K Drives and 640 K. Ram	1986
Accounting Office	864 Sq. Ft. Room With 3 Offices And Desk Space for 4 People, Fully Furnished	
Accounting Computers	1 Ea. IBM System 34 with Printer And 6 Data Entry Stations	1986
	1 Ea. IBM System 36 PC With Printer And IBM PC-XT Data Entry Terminal	1986
	1 Ea. IBM PC With 640 K Ram And 2 360 K Disk Drives And Printer	1986
Warehouse and Office	10,000 Sq. Ft. Warehouse With Office Space For 3 People And 1 Built-In Office of 120 Square Feet, Fully Furnished Offices	
	12,000 Sq. Ft. Auxillary Annex Warehouse For Large Components	1973
	1 Ea. 1949 Hyster, 2000 Lb. Capacity	1949
	1 Ea. Panasonic Executive Partner With 2 Ea. 360 K Disk Drives And 640 K Ram	1986
	1 Ea. IBM System 36 PC With Printer And Epson Equity I With 2 360K Drives and 256K Ram As Data Entry Station	1986
Main Bathhouse, Office, And Training Facility	10,000 Sq. Ft. Main Bathhouse With Clothes Storage Racks And 8 offices For Underground Operations And Maintenance Supervisors. Separate Women's Shower Storage Facility With 2,500 Sq. Ft. Room And Clothes Storage Facility. Training Room Consists of 2,000 Sq. Ft. Complex Fully Furnished With All Necessary Audio Visual Equipment Components	

ITEM	DESCRIPTION	PURCHASE DATE
Separate Change Room For V.L.P. Personnel. Consists Of A 300 Sq. Ft. Portable Building With 4 Ea. Individual Shower Stalls		1983
Computer Equip. Within Main Bathhouse	* 1 Ea. Epson Equity II Computer With 20 MB Hard Drive and 360 K Floppy Disk Drive And FX-85 Printer	

* INDICATES LEASED EQUIPMENT

KAISER COAL CORPORATION OF SUNNYSIDE
MINE EQUIPMENT AND FACILITIES
OUTSIDE USE

ITEM	DESCRIPTION	PURCHASE DATE
Surface Equip.	2 Ea. 29-Passenger Micro Bus Personnel Carrier	1973
	1 Ea. White Motor Diesel Tractor With 35 Ft. Flatbed Trailer	
	1 Ea. Kenworth Diesel Tractor With Low-Boy Bed	
	1 Ea. Baldwin-Lima Road Grader, Model 38-89	
	1 Ea. Capterpillar Road Grader, Model 12F	
	1 Ea. Lorain-Koehring Crane, Model LRT, Series 15H	
	1 Ea. Chevrolet c65 Flatbed Truck, Gross Wt. 30,000 Lbs.	1973
	1 Ea. GMC 7500 Diesel Flatbed Truck, Gross Wt. 30,000 Lbs.	1976
	1 Ea. Ford Custom F250 Pickup Truck With Flatbeb	
	1 Ea. Chevrolet C60 Truck With Dump Bed And Snow Plow, Gross Wt. 19,000 Lbs.	
	1 Ea. Kenworth Hustler Dump Truck,	1976
	1 Ea. Dodge Model D60 Flatbed Truck, Gross Wt. 51,000 Lbs.	1976
	1 Ea. International Model 510 Diesel Payloader	1978
	1 Ea. Caterpillar 920 Diesel Wheel Loader	
	1 Ea. Babcock-Allat Diesel Low Profile Underground Road Grader	1986
	1 Ea. Chevrolet KIO Pickup With Shell	1979
	1 Ea. Ingersoll-Rand, Model GR 125, Rotary Mobile Air Compressor	

ITEM	DESCRIPTION	PURCHASE DATE
	1 Ea. Chevrolet Brigadier Dump Truck, Gross Wt. 51,180 Lbs.	
	1 Ea. Marathon Electric Magna One A.C. Generator, Model No. 440F0R8032GG-F607W	
	1 Ea. Caterpillar 950 Wheel Loader, Diesel	
	1 Ea. Electric Machinery Company, Model Frame 725, EM Bemac II Synchronus Generator Driven By A Cater- pillar D353 Diesel Engine. All Equipment Trailer Mounted	
	1 Ea. Ingersoll-Rand, Model DR 210, Gyro Flo Mobile Air Compressor	
	* 2 Ea. Chevrolet 1/2 Ton, 4WD, Pickup Trucks	1985
	* 1 Ea. Chevrolet Blazer With 4WD	1985
	1 Ea. Jeep Wagoneer With 4WD	1985
	3 Ea. Ford 1/2 Ton, 2WD, Pickup Trucks	1982

* INDICATES LEASED EQUIPMENT

KAISER COAL CORPORATION OF SUNNYSIDE
MINE EQUIPMENT AND FACILITIES
MAIN SURFACE SHOP

ITEM	DESCRIPTION	PURCHASE DATE
Shop Facility	<p>20,200 Sq. Ft. Open-Ended Maintenance Building With Rail Line Accessing And 25-Ton Overhead Fully Directional Hoist. Complete With Carpenter Shop, Machine Shop, Welding and Electrical Repair Facility. Has Restroom and 300 Sq. Ft. Office Complex</p> <p>Individual Repair Areas Have Specialized Equipment For In-House Capability To Complete Any Necessary Job Assignments</p>	

KAISER COAL CORPORATION OF SUNNYSIDE
MINE EQUIPMENT AND FACILITIES
LONGWALL FACE COMPONENTS

ITEM	DESCRIPTION	PURCHASE DATE
Longwall Equip.	No. 1 Mine,* Westfalia Shields * Mitsui-Miike Shearer, Model MCLE 350-DR6565M	1986
	* Halbach & Braun Face Conveyor * Halbach & Braun Stageloader Halbach & Braun Feeder Breaker 2 Ea. Hauhinco EHP 3K Hydraulic Pump	1986
	* Service Machine Electrics	
	No. 3 Mine, Thyssen Shields Eickhoff, Model EDL 300 Halbach & Braun Face Conveyor Halbach & Braun Stage Loader McClanahan Crusher Hauhinco Hydraulic Pumps Ensign Machine Electrics	1982

* INDICATES LEASED EQUIPMENT

KAISER COAL CORPORATION OF SUNNYSIDE
MINE EQUIPMENT AND FACILITIES
FUEL STORAGE TANKS

ITEM	DESCRIPTION	PURCHASE DATE
Underground Storage Tanks	1 Ea. 1500-Gallon Gasoline Tank	
	1 Ea. 1500-Gallon Diesel Fuel Tank	

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EXHIBIT "C"

CARBON COUNTY PROPERTY TAXES

1986 & 1987

\$1,082,000 + interest

1988 is not due yet but figure up to \$500,000

Abandoned mined lands fee (Recl Tax) \$125,000 (estimate)

EXHIBIT "D"

LEASED EQUIPMENT (CONTINUED)

COMPANY	EQUIPMENT DESCRIPTION	ECC NO.	PAYMENT AMOUNT	LEASE COMMENCE	LEASE TERMINATE	PAYMENT FREQUENCY	P.O. PRICE	FINANCE TYPE	LOCATION
ARGVA LEASING CORP.	Sulphur, Prox and Ash Fusion, Analyzers	---	\$1,061.75	09/29/81	08/29/89	Monthly	\$53,192.00	Capital Lease	Sunnyside
BANK OF AMERICA	Lee Horse Roof Bltr. Top Doo	---	\$5,272.15	12/15/80	12/15/88	Quarterly	\$44,976.00	Tax Lease	Sunnyside
BANK OF AMERICA	Minileader, Elaco	---	1862.47	09/15/80	09/15/88	Quarterly	\$17,945.00	Tax Lease	Sunnyside
BANK OF AMERICA	SIS 601 Scoop Car (1)	---	\$1,031.91	06/15/80	06/15/87	Quarterly	\$11,000.00	Tax Lease	Sunnyside
CHASE MANHATTAN	Vanco Dryer N-900	---	\$2,110.34	08/31/85	05/31/92	Quarterly	\$45,000.00	Tax Lease	Sunnyside
CHASE MANHATTAN	(2) Chev. Pickups	---	\$2,311.58	08/31/85	05/31/88	Quarterly	\$23,802.00	Tax Lease	Sunnyside
CHASE MANHATTAN	Outdoor Switch Kse	---	\$2,265.43	06/31/85	05/31/92	Quarterly	\$51,345.00	Tax Lease	Sunnyside
CHASE MANHATTAN	800 V. DC Rectifier	---	1812.80	08/31/85	05/31/92	Quarterly	\$19,500.00	Tax Lease	Sunnyside
CHASE MANHATTAN	Super 500 Belt Storage Unit	---	\$3,371.77	06/31/85	05/31/90	Quarterly	\$44,200.00	Tax Lease	Sunnyside
CHASE MANHATTAN	Fletcher H00R-13 Roof Bolter	---	\$10,419.11	08/31/85	05/31/90	Quarterly	\$202,197.00	Tax Lease	Sunnyside
JOY FINANCE CO.	Rebuilt 12CMS Miner w	---	\$7,015.95	05/03/85	02/10/90	Monthly	\$371,040.00	Tax Lease	Sunnyside
NDFC EQUIPMENT LEASING CORP.	U.B. Road Grader	---	\$3,437.16	03/31/87	03/31/92	Quarterly	\$55,000.00	Tax Lease	Sunnyside
NDFC EQUIPMENT LEASING CORP.	151 Dist. Control Elec. 400V	---	\$3,477.49	07/30/86	07/30/93	Quarterly	\$71,560.00	Tax Lease	Sunnyside
NDFC EQUIPMENT LEASING CORP.	Service Machine LM Electric	---	\$5,281.09	09/30/86	09/30/91	Quarterly	\$93,500.00	Tax Lease	Sunnyside
NDFC EQUIPMENT LEASING CORP.	(2) 48" Goodson Drives	---	\$15,093.97	09/30/86	09/30/93	Quarterly	\$291,772.00	Tax Lease	Sunnyside
NDFC EQUIPMENT LEASING CORP.	6000" 48" Conv. Belt	---	\$9,086.75	03/31/87	03/31/90	Quarterly	\$16,300.00	Tax Lease	Sunnyside
NDFC EQUIPMENT LEASING CORP.	Dover Belt Minder	---	1440.04	07/30/86	07/30/93	Quarterly	\$12,486.00	Tax Lease	Sunnyside
NDFC EQUIPMENT LEASING CORP.	A-C 6120 Screen (1)	---	\$2,327.60	07/30/86	07/30/93	Quarterly	\$49,200.00	Tax Lease	Sunnyside
NDFC EQUIPMENT LEASING CORP.	15 ton Locomotive US-Elaco	---	\$10,000.09	12/30/86	12/30/91	Quarterly	\$150,000.00	Tax Lease	Sunnyside
NDFC EQUIPMENT LEASING CORP.	Cummins Diesel Gen. Set	---	\$2,278.33	08/30/86	08/30/93	Quarterly	\$41,515.00	Tax Lease	Sunnyside
NDFC EQUIPMENT LEASING CORP.	Vanco N-900 Dryer	---	\$2,862.78	07/30/86	07/30/93	Quarterly	\$51,748.00	Tax Lease	Sunnyside
NDFC EQUIPMENT LEASING CORP.	121 48" Super 500s	---	\$1,701.52	07/30/86	07/30/93	Quarterly	\$132,000.00	Tax Lease	Sunnyside
NDFC EQUIPMENT LEASING CORP.	(2) JMB PCS/Print/Plot	---	\$510.19	03/31/87	03/31/94	Quarterly	\$10,510.00	Tax Lease	Sunnyside
NDFC EQUIPMENT LEASING CORP.	Patillo Male Model 1039	---	\$11,106.88	09/30/86	09/30/93	Quarterly	\$215,000.00	Tax Lease	Sunnyside
MELLON FINANCIAL	(2) AL 600 Aug. Fans	---	\$5,041.42	03/29/86	03/29/89	Quarterly	\$44,386.00	Tax Lease	Sunnyside
MELLON FINANCIAL	Fletcher H00R-13 Bolter	---	\$10,739.86	11/29/85	11/29/90	Quarterly	\$210,875.00	Tax Lease	Sunnyside
MELLON FINANCIAL	(2) HNS 40C Shuttle Cars	---	\$17,462.42	11/29/85	11/29/90	Quarterly	\$342,942.00	Tax Lease	Sunnyside
MELLON FINANCIAL	Used J.D. Backhoe	---	\$1,620.00	11/29/85	11/19/88	Quarterly	\$19,000.00	Tax Lease	Sunnyside
MELLON FINANCIAL	(2) Fazo Gen.	---	1871.72	11/29/85	11/29/92	Quarterly	\$21,540.00	Tax Lease	Sunnyside
MELLON FINANCIAL	Vanner LST201 Scoop	---	\$10,071.41	11/29/85	11/29/90	Quarterly	\$197,750.00	Tax Lease	Sunnyside
ZION FIRST NATIONAL BANK	(1) Chev Blazer	---	\$419.40	01/03/85	12/03/88	Monthly	\$15,836.00	Capital Lease	Sunnyside
ZION FIRST NATIONAL BANK	(1) Chev. 424 PU 1985	---	\$429.83	08/09/85	09/13/89	Monthly	\$10,585.00	Capital Lease	Sunnyside
ZION FIRST NATIONAL BANK	(3) Isuzu 255 PU	---	\$154.21	10/21/85	02/19/85	Monthly	\$31,115.00	Capital Lease	Sunnyside

*Ms Barbara Roberts***BP Coal America Inc.**200 Public Square
Cleveland, Ohio 44114-2075

December 27, 1988

Harold Morris, Esq.
Sherman & Howard
3000 First Interstate Tower North
633 Seventeenth Street
Denver, Colorado 80202

Dear Hal:

Please be advised that Pike Coal Company ("Pike") intends to object to the proposed License Agreement of Sunnyside Reclamation & Salvage, Inc. ("SR&S"), because BP America, Inc. (or one of its subsidiaries ("BPA")) is submitting a counteroffer which Pike believes to be of substantially greater benefit to the estate. BPA is currently preparing detailed documentation for such an offer, which will be presented to you and other interested parties upon completion.

BPA hopes to acquire a one-year exclusive purchase option on most of the property covered by the License Agreement.¹ BPA will pay \$800,000, in equal quarterly installments, for this option. If the option is exercised, BPA will pay an additional \$500,000.

Pending consideration of its option offer, BPA will agree to finance the cost of pumping the Sunnyside Mines and otherwise maintaining the Sunnyside Mines on a standby basis, on essentially the same terms that SR&S has proposed, including reimbursement by any subsequent offeror and ability to cease payments upon reasonable notice, and will agree to reimburse SR&S for its cost in maintaining and preserving the Sunnyside Mines; however, BPA will not pay more than 10% over SR&S's estimate of \$150,000 per month, absent express agreement to the contrary. BPA may elect to terminate its financing of the cost of pumping the mine at any time after entering into the option agreement. If BPA so elects to terminate this financing, the estate may then elect to terminate the option without forfeiting the right to the \$800,000 option fee.

Upon exercise of the option, BPA will indemnify the estate for property taxes and reclamation taxes and other reclamation liabilities applicable to the purchased properties. BPA will assume responsibility for all future obligations arising from its use and ownership of the land.

¹ BPA's option will include the B Canyon Leases. This represents no additional loss to the estate, since BPA has the first and best lien on the B Canyon Leases, appears to be undersecured, and has been granted relief from stay to foreclose.

Harold Morris, Esq.

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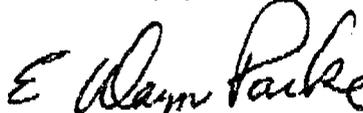
December 27, 1988

We believe that the BPA offer, when compared to that of SR&S, is substantially more beneficial to the estate, has fewer contingencies, and provides more immediate consideration to the estate, thereby speeding resolution of the bankruptcy proceedings. Moreover, in contrast to the SR&S proposal, the estate will have no continuing obligation for the affected properties and certain related liabilities--and be \$1.3 million richer. The estate will be relieved of the ongoing costs and expenses of a depleted coal property with no foreseeable resale value.

The BPA offer is also better for the State of Utah and Carbon County. While SR&S intends to mine the property for a limited period, thereafter returning the property and its liabilities to Kaiser Coal, BPA will be a responsible, tax-paying member of this community for years thereafter. BPA intends to mine not only the Sunnyside property but also the adjoining B Canyon coal lease properties. Such mining operations will result in multi-million dollar capital expenditures and twice the expected number of jobs as the SR&S proposal. The SR&S proposal does not appear to commit them to the full extent of the current reclamation liability. While BPA's decision to mine is contingent on its concluding various agreements with third parties, as is the case with SR&S, BPA will pay the estate \$800,000 for the option, while SR&S guarantees nothing.

We solicit your support for BPA's offer, which BPA believes to be superior to the proposed License Agreement with SR&S. We will be in further contact with you in early 1989.

Very truly yours,


E. Wayne Farke
President

(morris-12-27)RFM