

**KAISER
COAL**

MEMO TO: Lou Kuchinic, Jr.

DATE: September 30, 1988

COPIES TO: Hal Morris
Hal Lewis
Denise Drago

FROM: Bill Balaz

AT: Sunnyside

SUBJECT: SUNNYSIDE RECLAMATION

As you are aware, Russett Industries visited Sunnyside last week. The purpose was to provide an opportunity for them to determine interest in scrap and salvage of the mine should that become necessary. As a result of the visit, two developments have occurred.

1. There is an interest in making an offer on Sunnyside.
2. They have offered a proposal to reclaim #2 Mine for salvage rights in that mine (see attached copy).

We are currently putting together a copy of the three-volume Sunnyside data book and plan to ship it to them this week. Russett Industries has signed a confidentiality agreement.

The proposal assumes the following:

1. Kaiser secures the appropriate approvals from bankruptcy court and secured creditors, including the state of Utah.
2. Russett Industries has access to underground and surface equipment on the property. They will hire operators, supply diesel fuel and other consumables, and keep equipment maintained within reason.
3. Kaiser will assist Russett in hiring experienced shot firers should concrete structures require blasting for demolition.
4. Kaiser will have an on-site manager.
5. Estimated project duration is three to four months.

The following benefits may be obtained by pursuing this proposal:

1. Reclaims a portion of the property thereby reducing the associated liability (estimated at \$197,200).
2. Provides the estate with income of \$7,077.
3. Emphasizes Kaiser's commitment towards compliance.

Mr. Lou Kuchinic, Jr.

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4. Provides the opportunity for employment of UMWA and salary personnel.
5. Lowers the overhead, thereby making the property potentially more attractive to a prospective buyer.

The only disadvantage is the removal of miscellaneous assets and scrap items from the #2 Mine. A partial list of potentially recoverable items is attached. This should be verified before signing a contract.

In the author's opinion, this project offers an opportunity to make a significant stride toward resolving a portion of Sunnyside's reclamation liabilities at no cost to the estate. It is, therefore, recommended that this project be presented to the appropriate parties and bankruptcy court approval be obtained.

It may also be appropriate, as a courtesy, to inform BP Coal if this project is approved to ensure it does not compromise their interest in the property.

Please advise on the appropriate course of action.


Bill Balaz

BB:th

Attachment

PARTIAL LIST OF POTENTIALLY SALVAGEABLE ITEMS IN SUNNYSIDE #2 MINE

Track - 14,350 Linear Feet
Trolley Line - 4,000 Feet
High-Voltage Cable - 10,700 Feet
Medium-Voltage Cable - 11,600 Feet
4" and 6" Pipe - 7,600 feet
125 HP Pump - 1
75 HP Pump - 1
150 HP Pump - 1
36" Belt Drive - 1
42" Belt Drive - 2
Section Transformers - 6
Substation - Surface - (1) 1,000 KVA 4100/4160
(3) 200 KVA 4400/2300
(1) 30 Amp Circuit Breaker

*Jeffery Ventilation Fan, 7' Diameter, 150 HP

* This may be usable for B Canyon

An inventory of the mine should be made to confirm the above quantities, locate the assets, and identify additional salvageable material.

RUSSETT INDUSTRIES
65 Marland Place
Colorado Springs, CO 80906

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PROPOSAL SUBMITTED TO KAISER COAL		PHONE	DATE 9-27-88
STREET 102 S. Tejon		JOB NAME Sunnyside Mine #2	
CITY, STATE AND ZIP CODE Colorado Springs, CO 80903		JOB LOCATION Sunnyside, Utah	
ARCHITECT	DATE OF PLANS	JOB PHONE	

We hereby propose to furnish materials and labor necessary for the completion of:

SEE ATTACHMENT A

WPD
Pr
WE PROPOSE hereby to furnish materials and labor — complete in accordance with above specifications, for the sum of:

Seven thousand and seventy-seven dollars dollars (\$ **7,077.00**)

Payment to be made as follows:

All material is guaranteed to be as specified. All work to be completed in a substantial workmanlike manner according to specifications submitted, per standard practices. Any alteration or deviation from above specifications involving extra costs will be executed only upon written orders, and will become an extra charge over and above the estimate. All agreements contingent upon strikes, accidents or delays beyond our control. Owner to carry fire, tornado and other necessary insurance. Our workers are fully covered by Workmen's Compensation Insurance.

Authorized Signature

Note: This proposal may be withdrawn by us if not accepted within _____ days.

ACCEPTANCE OF PROPOSAL The above prices, specifications and conditions are satisfactory and are hereby accepted. You are authorized to do the work as specified. Payment will be made as outline above.

Signature _____

Date of Acceptance: _____

Signature _____

ATTACHMENT A

- A. We propose to remove salvageable materials located in Mine #2 at the Kaiser Coal Sunnyside Coal Mine Complex in Sunnyside Utah. All materials considered to be salvageable are materials and equipment leading to and inside of the Kaiser Coal #2 Mine with Portals at Water Canyon and Fan Canyon.
- B. As part of this proposal, Russett Industries will provide all land reclamation services as follows:
- 1) All concrete buildings, slabs, and retaining walls shall be removed from site.
 - 2) All tunnels shall be filled at least 25 feet inward from entrance with non-cumbustible materials.
 - 3) All Portal Entrances ~~(*)~~ shall be sealed per Utah specifications. *(W/B)*
 - 4) Approximately 7,000 linear feet of road shall be reclaimed.
 - 5) Approximately 490,000 square feet of ground shall be treated and hydro-mulched. The slurry mixture shall contain seed, fertilizer and "tac" to insure adhesiveness.
 - 6) Soil and slope treatment.
 - a) Treated soil shall be applied at a minimum overlay of 4 inches of topsoil scarified into existing soil with an application of 46-5-12-7 fertilizer. This rate shall be applied at a minimum of ten pounds per 1,000 square feet. If existing soil has a high acidic PH reading limestone or comparable basic material will be applied to lower the acidity.
 - b) Contour drainage ditch lines will be installed and terracing in areas subject to extensive erosion.
 - c) Excelsior blanketing shall be applied to any area with a greater than 18% slope.
 - d) The seed mixture shall be selected and applied per direction from a county or state extension service agent or comparable person knowledgeable in this particular location and the soil composition.
- C. Proper insurance, workmens comp. and personal liability will be provided for protection of labor and property. Where necessary and required, Russett Industries agrees to use UMW employees and pay prevailing wages and fringe benefits.
- D. Russett Industries agrees to pay to Kaiser Coal the sum of \$7,077.00 for salvageable material and to complete the reclamation at no charge to Kaiser Coal.

Respectfully,

David J. Russett
 David J. Russett
 Russett Industries

3 1/2 to 4 months

*ASSUMES. Russett Industries can use mobile equipment
 They will supply operator, diesel fuel etc.*