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July 22, 1988

Judge Charles E. Matheson
United States Bankruptcy Court for
the District of Colorado
1845 Sherman Street
Fourth Floor
Denver, Colorado 80203

RE: Mellon Financial Services Corporation #4 vs.
Kaiser Coal Corporation, et al.
Case No. 87 B 01552 E, Jointly Administered
Adversary Proceeding Number 88E 558

Dear Judge Matheson:

I have today received a copy of a Complaint, a Motion for Preliminary Injunction and Request for Hearing Forthwith, and a proposed Order Granting Preliminary Injunction from Mellon Financial Services Corporation #4. This adversary proceeding names, among others, the State of Utah as Defendant and requests, in part, that Utah be enjoined from enforcing its environmental laws against Kaiser Coal Corporation, an issue that this Court has ruled upon in Utah's favor as recently as July 12, 1988.

Please be aware that, although Utah intends to answer the Complaint and respond to the Motion in a timely fashion, the request for a hearing on July 25, 1988, is unreasonable in that it provides the Defendants with no real notice to prepare for the hearing. The challenge to State and Federal authority to enforce their respective laws is a serious one and demands a thoughtful and complete response, not one which is churned out over a weekend.

Although Utah is cognizant that the Plaintiff has alleged, albeit unsupported by affidavit, that the condition of the Sunnyside Mine is such that the "roof and/or the floor ... have begun to shift and collapse", Utah maintains that the

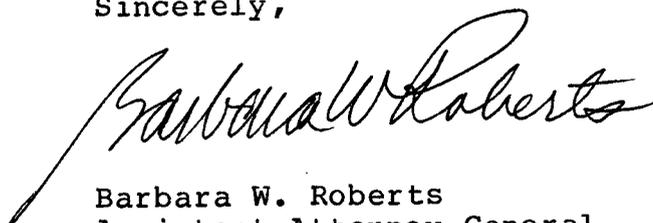
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condition of the Mine is no different than it has been in the past, that all mines of this nature act similarly, that such occurrences are expected and have been ongoing since this method of mining was instituted, that any equipment in any mine where the coal is extracted in this manner is subjected to the same risk and that Plaintiff knew and accepted that risk by leasing equipment intended for underground use.

Utah is currently in the process of negotiating an alternative bonding arrangement with the Debtor and the secured lenders. A hearing on this matter, in which Utah intends to participate, has been set before this Court for August 3, 1988, and, if the bonding arrangement is approved, the issues presented in this adversary proceeding with Mellon will be moot.

In addition to the above considerations, I am the only person conversant with the issues in this case and I will be unavailable to attend a hearing in Denver until August 1, 1988. In light of these facts, Utah therefore requests that any hearing on this matter be set no earlier than August 3, 1988.

Sincerely,



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