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KNUTSON, BRIGHTWELL & REEVES, P.C.  
ATTORNEYS AT LAW  
1200 HUDSON'S BAY CENTRE  
1600 STOUT STREET  
DENVER, COLORADO 80202-3133

→ *orig mine file*  
~~*route to Dr. Nielson*~~  
ACT 1007/007  
#3

TELEPHONE  
(303) 825-6000

RODNEY D. KNUTSON  
THOMAS P. BRIGHTWELL  
GEORGE E. REEVES  
KENNETH R. OLDHAM

HOWARD R. HERTZBERG

June 6, 1989

RECEIVED  
JUN 08 1989

DIVISION OF  
OIL, GAS & MINING

Dr. Dianne R. Nielson  
Utah Division of Oil, Gas & Mining  
3 Triad Center, Suite 350  
355 West North Temple  
Salt Lake City, UT 84180-1203

RE: Permit No. ACT/007/007  
Sunnyside Reclamation & Salvage, Inc.  
Sunnyside Mine, Carbon County, UT

Dear Dr. Nielson:

The Permit forwarded with your letter of May 26, 1989 has now been executed on behalf of Sunnyside Reclamation & Salvage, Inc. by James T. Cooper, President. A fully executed copy of the Permit is returned herewith to the Division's records.

Sincerely yours,



Enclosure

cc: Mr. James T. Cooper (w/copy of enclosure)  
Denise A. Dragoo (w/copy of enclosure)

AL 1007/007

File # 3

SUNNYSIDE MINE NOS. 1, 2, AND 3  
PERMIT ACT/007/007

UMC 788.18 APPLICATION FOR APPROVAL  
TRANSFER, ASSIGNMENT OR SALE OF  
PERMIT RIGHT

UMC 788.18 APPLICATION FOR APPROVAL  
TRANSFER ASSIGNMENT OR SALE OF PERMIT RIGHT

This is an application of transfer of all permit rights under the Utah Coal Program for the Sunnyside Mine Nos 1, 2, and 3, an underground coal mine located in Carbon County, Utah, and the associated gob, coal tailings and waste piles, from the existing permittee Kaiser Coal Corporation (hereinafter sometimes referred to as "Kaiser") to Sunnyside Reclamation & Salvage, Inc., a Colorado corporation.

788.18(a)(2)(i)

Existing Permittee

Kaiser Coal Corporation  
P. O. Box 10  
Sunnyside, Utah 84539

788.18(a)(2)(ii)

Applicant

Sunnyside Reclamation & Salvage, Inc.  
1113 Spruce Street  
Boulder, Colorado 80302

Local Office Representing the Proposed Permittee

Sunnyside Reclamation & Salvage, Inc.  
Sunnyside Coal Mine  
P. O. Box 99  
Sunnyside, Utah 84539

Resident Agent of Service

Denise A. Dragoo  
Fabian & Clendenin  
215 South State Street, Suite 1200  
Salt Lake City, Utah 84111-2309

782.13 Identification of Interests

(a) Names and Addresses

(1) Permit Applicant

Sunnyside Reclamation & Salvage, Inc.  
1113 Spruce Street  
Boulder, Colorado 80302  
Telephone: (303) 449-5012

(2) Legal or Equitable Owners of Record

The legal or equitable owners of the areas to be affected by the surface operations and facilities are:

Sunnyside Reclamation & Salvage, Inc.  
1113 Spruce Street  
Boulder, Colorado 80302  
Telephone: (303) 449-5012

Sunnyside Cogeneration Associates  
2920 North Academy Boulevard, Suite 201  
Colorado Springs, Colorado 80917

The legal or equitable owners of the coal to be mined are:

Sunnyside Reclamation & Salvage, Inc.  
1113 Spruce Street  
Boulder, Colorado 80302  
Telephone: (303) 449-5012

State of Utah  
Division of State Lands and Forestry  
III Triad Center, Third Floor  
Salt Lake City, Utah 84180  
Telephone: (801) 538-5508

United States of America  
Bureau of Land Management  
Utah State Office  
324 South State, Suite 301  
Salt Lake City, Utah 84111  
Telephone: (801) 539-4030

County of Carbon, Utah  
County Commissioners  
County Building  
Price, Utah 84501

- (3) The holders of record of any leasehold interest in areas to be affected by surface operations or facilities:

Sunnyside Reclamation & Salvage, Inc.  
1113 Spruce Street  
Boulder, Colorado 80302  
Telephone: (303) 449-5012

The holders of record of any leasehold interest in the coal to be mined:

Sunnyside Reclamation & Salvage, Inc.  
1113 Spruce Street  
Boulder, Colorado 80302  
Telephone: (303) 449-5012

- (4) There are no purchasers of record under a real estate contract of the areas affected by surface operations and facilities nor any purchaser of record under a real estate contract of the coal to be mined.

(5) The Operator is:

James T. Cooper, President  
Sunnyside Reclamation & Salvage, Inc.  
Sunnyside Coal Mine  
P. O. Box 99  
Sunnyside, Utah 84539  
Telephone: (801) 888-4421

(6) The Resident Agent of the Applicant who will accept service of process:

Denise A. Dragoo  
Fabian & Clendenin  
215 South State Street, Suite 1200  
Salt Lake City, Utah 84111-2309  
Telephone: (801) 531-8900

782.13(b)

Applicant is a Colorado corporation.

782.13(b)(1) Names and addresses of officers and directors of the applicant:

Officers of Applicant

<u>Name</u>	<u>Office</u>	<u>Address</u>
James T. Cooper	President	1113 Spruce Street Boulder, CO 80302
David B. Corman	Vice President; Secretary	1113 Spruce Street Boulder, CO 80302
Kenneth R. Oldham	Assistant Secretary	1600 Stout Street, #1200 Denver, Colorado 80202

Director of Applicant

<u>Name</u>	<u>Address</u>
David B. Corman	1113 Spruce Street Boulder, Colorado 80302

782.13(b)(2) Name and address of Principal Shareholder of Applicant

<u>Name</u>	<u>Address</u>
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Sunnyside Mines, Inc.

1113 Spruce Street  
Boulder, Colorado 80302

782.13(b)(3) Names under which the applicant or principal shareholder previously operated mining activities:

N/A

782.13c) See 788.18(a)(2)(ii), 782.13(b)(1) and 782.13(b)(2) above

782.13(d) Current or previous coal mining permits or pending permit applications:

None

782.13(e) Owners of record of surface and subsurface areas contiguous to the permit area:

Surface Owners:

United States of America  
Department of the Interior  
Bureau of Land Management  
Utah State Offices  
324 South State, Suite 301  
Salt Lake City, UT 84111

State of Utah  
Division of State Lands and Forestry  
III Triad Center, Third Floor  
Salt Lake City, UT 84180

Dennis, Donald I.  
P. O. Box 97  
Bullard, TX 75757

East Carbon City  
Dale Andrews, Mayor  
Columbia Branch  
East Carbon City, UT 84520

Hill, Howard L.  
23543 Highland Glen Drive  
Newhall, CA 91321

Jensen, Glen E.  
Elmo, UT 84521

Kaiser Steel Corporation  
P. O. Box 10  
Sunnyside, UT 84539

Oliveto, Dominic  
P. O. Box 598  
Price, UT 84501

GNC Energy Corp.  
2305 Cedar Springs, #300  
Dallas, TX 75281

Sunnyside Fuel Company  
102 So. Tejon, #400  
Colorado Springs, CO 80903

Sunnyside Reclamation & Salvage, Inc.  
1113 Spruce Street  
Boulder, CO 80302

Subsurface Owners:

United States of America  
Department of the Interior  
Bureau of Land Management  
Utah State Offices  
324 South State, Suite 301  
Salt Lake City, UT 84111

State of Utah  
Division of State Lands and Forestry  
III Triad Center, Third Floor  
Salt Lake City, UT 84180

County of Carbon  
County Commissioners  
County Building  
Price, Utah 84501

Pagano, Jay  
P. O. Box 67  
Price, UT 84501

\*continued on page 5(a)

782.13(f) Mine Name and Number

The name of the mine is the Sunnyside Mine. The Mine Safety and Health Administration ("MSHA") identification numbers for the individual mines are:

<u>Mine No. 1</u>	MSHA ID No.	42-00093
<u>Mine No. 2</u>	MSHA ID No.	42-00094

Subsurface Owners: (continued)

GNC Energy Corp.  
2305 Cedar Springs #300  
Dallas, Texas 75201

Donald I. Dennis  
P. O. Box 97  
Bullard, Texas 75757

Reba I. Dennis  
Address unknown

Glen E. Jensen  
Elmo, Utah 84521

Kaiser Coal Corporation  
102 South Tejon, Suite 800  
P. O. Box 2679  
Colorado Springs, CO 80903

Sunnyside Reclamation & Salvage, Inc.  
1113 Spruce Street  
Boulder, Colorado 80203

Dominic Oliveto  
P.O. Box 598  
Price, Utah 84501

East Carbon City  
East Carbon City, Utah 84520

Shana Fay T. Edwards  
Salt Lake City (address unknown)

Myra Ann T. Manzanares  
Price, Utah (address unknown)

Dick Cloyd Tidwell  
Wellington, Utah 84542

Alex Reed Tidwell  
Helper, Utah 84526  
Leland and Carol Loboto  
917 Highway 123  
Sunnyside, Utah 84539

Laurie Bowman  
1310 South Highway 10  
Price, Utah 84501

Mine No. 3

MSHA ID No. 42-00092

Preparation Plant

MSHA ID No. 42-01813

782.13(q) Information Concerning Contiguous Lands

The following is a statement of all lands, interests in lands, options or pending bids on interests held or made by the Applicant for lands which are contiguous to the area to be covered by the permit:

- (i) Applicant holds surface rights on various parcels of lands contiguous to the permit area previously held by Kaiser Coal Corporation (see surface ownership map, Plate 2-1 of Kaiser Coal Corporation Application for Reclamation Permit ACT/007/007, June 12, 1985).
- (ii) Applicant holds coal rights in areas contiguous to the permit area previously held by Kaiser Coal Corporation (see subsurface ownership map, Plate 2-2 of Kaiser Coal Corporation Application for Reclamation Permit ACT/007/007, June 12, 1985).
- (iii) A 72.5 acre parcel of property currently leased to Sunnyside Cogeneration Associates ("SCA") by Applicant is subject to an Option to Purchase pursuant to a Land Lease Agreement between Kaiser Coal Corporation and SCA, dated as of March 30, 1987, amended December 28, 1987 and assigned from Kaiser Coal Corporation to Applicant by Deed and Assignment dated March 9, 1989. A copy of the Deed and Assignment is attached hereto in response to UMC 782.15, Right of Entry information.

782.14 Compliance Information

(a) Statement of Compliance

Neither the applicant, nor any of its subsidiaries, affiliates or persons controlled by or under common control with the applicant has had a federal or state mining permit suspended or revoked in the last five years; nor forfeited a mining bond or similar security deposited in lieu of bond.

(b) This section does not apply.

(c) A listing of violation notices received by Sunnyside Reclamation and Salvage, Inc., in connection with any underground or surface coal mining activities during the 3-year period before the application date, for violation of air or water environmental protection laws, rules or regulations of the United States and of the State of Utah are provided as follows:

1. Notice of Violation N 89-26-1-1 (89-26-16-1)  
Issued: March 29, 1989  
Issued by: State of Utah  
Department of Natural Resources  
Division of Oil, Gas & Mining  
3 Triad Center, Suite 350  
Salt Lake City, UT 84180-1203

Regulatory Provisions Alleged to Have Been Violated:  
UMC 817.97; UMC 817.50

Brief Description of Violation Alleged:

Hydraulic fluid valve located underground that supplies an oil emulsion to a longwall miner broke. Fluid mingled with mine water and was pumped to a detention pond and then from the detention pond to Grassy Trail, a perennial stream. 72 dead trout were found in the stream in approx. 3 miles.

Abatement Actions Taken by Applicant:

- \*Straw Bail Dikes and silt fence were placed in the discharge channel between the 002 outfall and Grassy Trail Creek
- \*Injection of Flocculant
- \*Removal of Valve that Failed
- \*Sample Waters for Oil and Grease
- \*Applicant submitted plan to Department of Health to clean pond 002 and divert mine water from Whitmore Canyon operation to SSSF pond. Verbal approval received May 8, 1989 from Dept. of Health-- Approval from Division of Oil, Gas & Mining in form of Modified N.O.V. received May 9, 1989.

Current Status:

Applicant and the Division of Oil, Gas & Mining are working on a process of resolution following procedures set forth in the Division's Rules.

2. Cessation Order C-89-25-1-1  
Issued: April 19, 1989  
Issued by: State of Utah  
Department of Natural Resources  
Division of Oil, Gas & Mining  
3 Triad Center, Suite 350  
Salt Lake City, UT 84180-1203

Regulatory Provisions Alleged to Have Been Violated:  
UMC 817.97; UMC 843.11 (b)

Brief Description of Violation Alleged:

Failure to protect fish, wildlife, and related environmental values.

Failure to cease deposition of oil and/or flocculated oil into Grassy Trail Creek.

1. Notice of Violation N 89-26-1-1 (89-26-16-1)  
Issued: March 29, 1989  
Issued by:

State of Utah  
Department of Natural Resources  
Division of Oil, Gas & Mining  
3 Triad Center, Suite 350  
Salt Lake City, UT 84180-1203

Regulatory Provisions Alleged to Have Been Violated:  
UMC 817.97; UMC 817.50

Brief Description of Violation Alleged:

Hydraulic fluid valve located underground that supplies an oil emulsion to a longwall miner broke. Fluid mingled with mine water and was pumped to a detention pond and then from the detention pond to Grassy Trail, a perennial stream. 72 dead trout were found in the stream in approx. 3 miles.

Abatement Actions Taken by Applicant:

- \*Straw Bail Dikes and silt fence were placed in the discharge channel between the 002 outfall and Grassy Trail Creek
- \*Injection of Flocculant
- \*Removal of Valve that Failed
- \*Sample Waters for Oil and Grease

Current Status:

N.O.V. abated April 12, 1989

2. Cessation Order C-89-25-1-1  
Issued: April 19, 1989  
Issued by:

State of Utah  
Department of Natural Resources  
Division of Oil, Gas & Mining  
3 Triad Center, Suite 350  
Salt Lake City, UT 84180-1203

Regulatory Provisions Alleged to Have Been Violated:  
UMC 817.97  
UMC 843.11 (b)

Brief Description of Violation Alleged:

Failure to protect fish, wildlife, and related environmental values.

Failure to cease deposition of oil and/or flocculated oil into Grassy Trail Creek.

Abatement Actions Taken by Applicant:

- \*Raised mine water discharge pipe from pond bottom.
- \*Installation of oil-absorbent booms around existing pond discharge skimmer.
- \*Installation of three (3) additional straw fences in the Pole Canyon discharge channel.
- \*Installation of silt fence with oil-absorption fabric across discharge channel.
- \*Installation of five (5) oil-absorbent booms across discharge channel.

Current Status: Applicant and the Division of Oil, Gas & Mining are working on a process of resolution following procedures set forth in the Division's Rules.

3. Cessation Order C-89-25-2-1  
Issued: April 19, 1989  
Issued by:

State of Utah  
Department of Natural Resources  
Division of Oil, Gas & Mining  
3 Triad Center, Suite 350  
Salt Lake City, UT 84180-1203

Regulatory Provisions Alleged to Have Been Violated:

817.97  
817.42 (a) (i)  
40-10-9 UCA 1953, et sec

Brief Description of Violation Alleged:

Conducting mining activities without a permit (deposition of sediment-laden mine water into Grassy Trail Creek).

Failure to protect fish, wildlife, and related environmental values.

Failure to pass sediment-laden mine water (Sunnyside Storage Tanks) through a sediment-control structure, pond, or treatment facility prior to leaving the permit area.

Abatement Actions Taken by Applicant:

- \*Valves to city waterlines were closed eliminating flow of sediment-laden flow into Grassy Trail Creek.
- \*Waterlines were repaired by city personnel.
- \*SRS and city officials are investigating automatic shutoff systems to prevent future occurrences should city waterline break again.

\*SRS has provided alternate overflow discharge through slurry cells and clear water ponds should the intermittent discharge from the tanks be cloudy.

\*No discharge from NPDES 015 has occurred since April 19, 1989.

Current Status: Applicant and the Division of Oil, Gas & Mining are working on a process of resolution following procedures set forth in the Division's Rules.

782.15 Right of Entry and Operations Information:

- (a) Applicant, Sunnyside Reclamation & Salvage, Inc., bases its legal right to enter upon and begin underground coal mining activities in the permit area upon an Acquisition Agreement between Kaiser Coal Corporation, Kaiser Coal Corporation of Utah and Kaiser Coal Corporation of Sunnyside (herein "Kaiser"), as sellers, and Sunnyside Reclamation & Salvage, Inc., as buyer, dated February 20, 1989, and instruments of conveyance and assignment executed pursuant to the terms thereof. The principal instruments are a Deed and Assignment from Kaiser and Kaiser Fuel Corporation to Applicant dated March 9, 1989 and recorded March 10, 1989 in Book 287 at pages 52 through 95 of the Carbon County, Utah Records and a Bill of Sale dated March 9, 1989 from Kaiser to Applicant. A copy of the Deed and Assignment with Exhibits attached is attached to this Application and made a part hereof.

The Acquisition Agreement (and the sale of the Sunnyside Mine to Applicant pursuant to the terms thereof and the terms and conditions detailed in a Notice of Sale given by Kaiser dated February 6, 1989) were approved by the United States District Court for the District of Colorado in Bankruptcy by Order dated February 27, 1989 in Bankruptcy No. 87 B 01552 E.

- (b) This section does not apply.

782.16 Relationship to Areas Designated Unsuitable for Mining

- (c) Surface operations are not located with 300 feet of an occupied dwelling.

782.18 Personal Injury and Property Damage Insurance Information

A copy of Sunnyside Reclamation & Salvage, Inc.'s Certificate of Liability Insurance is attached hereto. The original is on file in Applicant's offices in Boulder, Colorado.

782.19 Identification of Other Licenses and Permits

A list of other licenses and permits under applicable State and Federal land-use, air and water quality, water rights and health and safety laws and regulations needed by Sunnyside Reclamation & Salvage, Inc. to conduct the underground coal mining activities are as follows:

- (1) NPDES Discharge Permit for Sunnyside Reclamation & Salvage, Inc., Sunnyside Mines, UT-0022942

Issued effective June 1, 1988, amended effective January 26, 1989 by:

U.S. Environmental Protection Agency  
Enforcement Division  
Denver Place  
999-18th Street, Suite 500  
Denver, CO 80202-2405

- (2) MSHA Identification Number 1211-UT-0031 for Grassy Trail Reservoir, Sunnyside Mines, Sunnyside Reclamation & Salvage, Inc.

Issued on August 29, 1978 by:

U.S. Department of Labor  
Mine Safety and Health Administration  
P. O. Box 25367, DFC  
Denver, CO 80225

- (3) Application to Appropriate Water for Miscellaneous Purposes, State of Utah. Application Number 28812 (91-231) by Sunnyside Mines, Sunnyside Reclamation & Salvage, Inc.

Approved on June 14, 1961 by:

Utah State Engineer  
Division of Water Rights  
1636 West North Temple  
Salt Lake City, UT 84140

- (4) Notice of Intent to Mine Coal. Industrial Commission of Utah. Coal was being mined at Sunnyside prior to the establishment of the Industrial Commission. Therefore, a Notice of Intent Application was not filed.
- (5) Surface Mining Control and Reclamation Permit - Permanent Program Permit was issued for the Sunnyside Mine on January 20, 1986 by the Utah Division of Oil, Gas & Mining

(6) Right of Way - USA Salt Lake 064436  
expires January 1994.

Right of Way - USA Utah 029686  
expires January 1994.

Right of Way - USA Salt Lake 065523  
expires January 1998.

Right of Way - USA Utah 016755  
expires January 2007

Right of Way - USA Salt Lake 071198  
expires January 2014.

Right of Way - USA Utah 20994  
expires January 2014.

Right of Way - USA Salt Lake 069099  
expires January 2014.

Right of Way - USA Utah 45898  
expires annually in July

(7) Mine Safety and Health Administration

Mine Permit ID Numbers:

No. 1 Mine	42-00093
No. 2 Mine	42-00094
No. 3 Mine	42-00092

Issued verbally by Mine Enforcement and Safety Administration,  
Department of Interior in 1970 (now Mine Safety and Health  
Administration, Department of Labor).

Sunnyside Surface Operations:  
ID Number 42-01813

Issued verbally by Mines Safety and Health Administration,  
Department of Labor, in 1983.

(8) Explosives Permit #9CA00133C1 90026.

ID Number 94-0594733

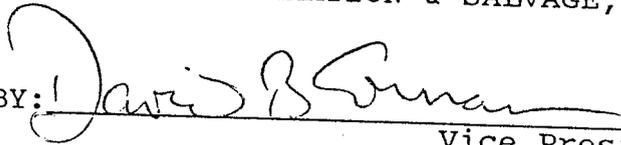
Issued by Bureau of Alcohol, Tobacco and Firearms, Department of  
the Treasury. Expires March 31 of each year.

(9) Approval Order for Expanded Coal Refuse Pile issued  
September 30, 1987 by Utah Department of Health, Carbon County  
CDS A 1

(10) "Spill Prevention Control and Counter Measure Plan" is in preparation and will be filed within 14 days from the date of this Application

RESPECTFULLY SUBMITTED this 3<sup>d</sup> day of May, 1989.

SUNNYSIDE RECLAMATION & SALVAGE, INC.

BY:   
Vice President

Attest:

  
Assistant Secretary

August 1988

CERTIFICATE OF LIABILITY INSURANCE

Issued To:  
State of Utah  
Department of Natural Resources  
Division of Oil, Gas and Mining  
--oo00oo--

THIS IS TO CERTIFY THAT:

Federal Insurance Company (Chubb Insurance)

(Name of Insurance Company)

15 Mountain View Road, Warren, NJ 07060

(Home Office Address of Insurance Company)

HAS ISSUED TO:

SUNNYSIDE RECLAMATION & SALVAGE, INC.

(Name of Permit Applicant)

SUNNYSIDE MINE

(Mine Name)

ACT/007/007

(Permit Number)

CERTIFICATE OF INSURANCE:

3528-55-64

(Policy Number)

December 2, 1988 - 1989

(Effective Date)

UNDER THE FOLLOWING TERMS AND CONDITIONS:

Per UMC/SMC Part 800.60 Terms and Conditions for Liability Insurance;

- A. The Division shall require the applicant to submit as part of its permit application a certificate issued by an insurance company authorized to do business in the state of Utah certifying that the applicant has a public liability insurance policy in force for the surface coal mining and reclamation operations for which the permit is sought. Such policy shall provide for personal injury and property damage protection in an amount adequate to compensate any persons injured or property damaged as a result of the surface coal mining and reclamation operations, including the use of explosives and who are entitled to compensation under the applicable provisions of state law. Minimum insurance coverage for bodily injury and property damage shall be \$300,000 for each occurrence and \$500,000 aggregate.

August 1988  
CERTIFICATE OF LIABILITY INSURANCE

- B. The policy shall be maintained in full force during the life of the permit or any renewal thereof, including the liability period necessary to complete all reclamation operations under this chapter.
- C. The policy shall include a rider requiring that the insurer notify the Division whenever substantive changes are made in the policy including any termination or failure to renew.

IN ACCORDANCE WITH THE ABOVE TERMS AND CONDITIONS, and the Utah Code Annotated 40-10-1 et seq., the Insurance Company hereby attests to the fact that coverage for said Permit Application is in accordance with the requirements of the State of Utah and agrees to notify the Division of Oil, Gas and Mining in writing of any substantive change, including cancellation, failure to renew, or other material change. No change shall be effective until at least thirty (30) days after such notice is received by the Division. Any change unauthorized by the Division is considered breach of the RECLAMATION AGREEMENT and the Division may pursue remedies thereunder.

UNDERWRITING AGENT:

*Suzanne L. Swafford*  
(Agent's Name)

(303) 592-5550  
(Phone)

Alexander & Alexander, Inc.  
(Company Name)

370 17th Street, Suite 2300  
(Mailing Address)

Denver, Colorado 80202  
(City, State, Zip Code)

August 1988  
CERTIFICATE OF LIABILITY INSURANCE

The undersigned affirms that the above information is true and complete to the best of his or her knowledge and belief, and that he or she is an authorized representative of the above-named insurance company. (An Affidavit of Qualification must be completed and attached to this form for each authorized agent or officer.)

5/1/89 Suzanne L. Swafford - assistant Vice President  
(Date, Signature and Title of Authorized Agent of Insurance Company)

Signed and sworn before me by Suzanne L. Swafford

this 2nd day of May, 1989.

Mary J. Buchetti  
(Signature)

My Commission Expires: JUNE 11, 1989  
(Date)