MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding is made this 11th day of December, 1989, by and between the Utah Division of Oil, Gas, and Mining (DOGM), Sunnyside Reclamation and Salvage (SRS), a Colorado corporation, and the United States Department of the Interior, by and through the Office of Surface Mining Reclamation and Enforcement (OSM).

RECITALS

A. On or about the 3rd day of March, 1989, DOGM and SRS entered into a reclamation contract (the Contract).

B. The Contract set forth the agreement of SRS and DOGM concerning, inter alia, the reclamation of Sunnyside Mine Nos. 1, 2 and 3, Carbon County, Utah, together with the associated gob, coal tailings, and waste piles (the Mine and the Tailings).

C. Pursuant to paragraph 9 of the Contract, on or about March 9, 1989, SRS, DOGM and South Eastern Title Company entered into a Deed of Trust and Security Agreement (the Instrument), which document was recorded in Emery County, Utah, on or about March 10, 1989 in Book 176 at Pages 580-639, and in Carbon County, Utah, or about March 10, 1989 in Book 287 at Pages 96-155.

D. In the Instrument, SRS conveyed to DOGM a first lien and security interest in and to certain undisturbed real property, water rights, fixtures, buildings, tangible equipment and personal property.

E. On or about the 28th day of August, 1989, SRS and DOGM executed an Agreement and Release of Reclamation Contract (the Agreement and Release), which instrument terminated the Contract, released SRS from certain financial obligations, and granted to DOGM certain other rights.

F. On or about the 28th day of August, 1989, SRS and DOGM also executed a Subordination Agreement (the Subordination Agreement), which agreement, inter alia, subordinated to Zions First National Bank (Zions), DOGM's first lien and security interest in and to certain tangible equipment and personal property, which lien and security interest was conveyed by SRS to DOGM in the Instrument.

G. In the Agreement and Release, and notwithstanding the fact that OSM was not a party thereto, a recital was made that OSM and DOGM had determined that the Instrument, as modified by the Subordination Agreement, provided adequate security for ensuring SRS's reclamation of the Mine and the Tailings.

H. The Cooperative Agreement between the Governor of the State of Utah and the Secretary of the United States Department of the Interior (the Cooperative Agreement), 30 C.F.R. § 944.30, in Article IX states that DOGM and the Secretary will require each operator who conducts operations on Federal lands to submit a single performance bond payable to Utah and the United States to cover the operator's responsibilities under the Surface Mining Control and Reclamation Act of 1977 (SMCRA), 30 U.S.C. §§ 1201 et seq., and the State program.

I. The Mine and the Tailings are operations involving Federal lands, and the Instrument, as modified by the Agreement and Release and the Subordination Agreement, comprises a collateral security bond which, under the terms of the Cooperative Agreement, should accrue jointly to the benefit of DOGM and OSM.

J. The purposes of this Memorandum of Understanding are, without limitation, to (1) set forth the express intent, acknowledgment, understanding and agreement of the parties with respect to the terms of the Instrument, the Agreement and Release, and the Subordination Agreement; (2) include OSM as a co-beneficiary to the first lien and security interest conveyed by SRS to DOGM in the Instrument; and (3) include OSM as a co-beneficiary to any and all other rights accruing to DOGM in the Agreement and Release.

AGREEMENT

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. Irrespective of the date on which this Memorandum of Understanding is executed by the parties, it shall retroactively be effective, nunc pro tunc, as of the effective date of the Instrument.

2. It is the express intent and understanding of the parties that this Memorandum of Understanding shall, and hereby does, constitute the agreement of the parties concerning the Instrument, the Agreement and Release, and the Subordination

Agreement, the express agreement of the parties being that all rights conferred upon DOGM by SRS in the Instrument and the Agreement and Release shall and hereby do accrue jointly to DOGM and OSM as if OSM had originally been a party to said documents, it being the express intent and understanding of the parties that by execution of this Memorandum of Understanding, privity of contract as to said documents shall be and hereby is established among DOGM, SRS and OSM.

3. The parties expressly understand and hereby acknowledge that by executing this Memorandum of Understanding OSM does not release, waive or otherwise discharge, either expressly or impliedly, Kaiser Coal Corporation, Kaiser Coal Corporation of Sunnyside, or Kaiser Coal Corporation of Utah, or said entities' officers or directors, from any reclamation liability enforceable by OSM under SMCRA.

4. By execution of this Memorandum of Understanding, OSM claims no interest in the personal property and tangible equipment described in the Subordination Agreement.

UTAH DIVISION OF OIL, GAS, AND MINING

By: Dianne R. Nielson

SUNNYSIDE RECLAMATION AND SALVAGE

By: James T. Cooper

OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT

By: Raymond J. Fornis