

### Document Information Form

Mine Number: C/007/007

File Name: Outgoing

To: DOGM

From:

Person N/A

Company N/A

Date Sent: N/A

Explanation:

RECLAMATION CONTRACT.

cc:

File in: C/007, 007, Outgoing

- Refer to:
- Confidential
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Date \_\_\_\_\_ For additional information

RECLAMATION CONTRACT

THIS AGREEMENT, made this 3<sup>d</sup> day of MARCH, 1989, between the Utah Division of Oil, Gas & Mining ("DOGM") and Sunnyside Reclamation & Salvage., a Colorado Corporation ("SRS").

RECITALS

A. Kaiser Steel Corporation ("Steel") and Kaiser Coal Corporation, Kaiser Coal Corporation of Sunnyside, and Kaiser Coal Corporation of Utah (collectively, "Coal") are debtors in possession in jointly administered bankruptcy proceedings designated as Case No. 87 B-01552E pending before the United States Bankruptcy Court for the District of Colorado.

B. Coal is the permitted operator of the Sunnyside Mine Nos. 1, 2, and 3, Carbon County, Utah under permanent program permit No. ACT/007/007 (the "Permit"). The Permit covers the Sunnyside Mine Nos. 1, 2, and 3 (the "Mine") and the associated gob, coal tailings and waste piles (the "Tailings"). The Tailings and the real property upon which they are situated are owned by Sunnyside Cogeneration Associates ("SCA").

C. SRS and Coal entered into an Acquisition Agreement dated February 20, 1989 (the "Acquisition Agreement"). Under the terms of the Acquisition Agreement SRS will, upon the Closing provided for therein, acquire from Coal the Sunnyside Mine Nos. 1, 2, and 3 and other property. SRS will, upon Closing, assume and hold Coal harmless in respect of liabilities for reclamation pursuant to the Permit.

D. The purpose of this Agreement is to set forth the understandings of SRS and DOGM with respect to the terms and conditions upon which the State of Utah will release Coal from all obligations under the Permit, transfer the Permit to SRS, and authorize SRS to conduct mining and reclamation operations pursuant to the Permit.

AGREEMENT

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

1. This Agreement shall be effective upon the completion of the Closing provided for in the Acquisition Agreement (the "Effective Date"). From and after the Effective Date, SRS shall be obligated to restore the Mine and the Tailings to a condition to a condition capable of supporting the uses to which the lands were capable of supporting prior to any mining

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as specified in the Utah Code, implementing rules and the reclamation plan forming a part of the Permit.

2. (A) By a date not later than five days prior to the Effective Date SRS agrees to prepare, at its expense, and submit to DOGM, revised and updated reclamation plans for the Mine and the Tailings, together with an estimate of the costs to complete the reclamation work contemplated by such plans.

(B) DOGM agrees to consider such revised plans and estimates and to make a good faith determination whether and in what particulars to modify the existing reclamation plans for the Mine and the Tailings and whether to make adjustments in the approved estimates of the cost of reclaiming the Mine and the Tailings.

(C) Based upon such determination DOGM shall designate amounts which it deems sufficient to defray the costs of reclamation of the Mine and the Tailings, respectively. The amounts so designated are hereinafter referred to as the "Mine Reclamation Cost" and the "Tailings Reclamation Cost". The parties agree that the costs of reclamation of the Mine and the Tailings are currently estimated at \$2,297,349.00 and \$1,286,487.00, respectively. These amounts will not be increased except as required by DOGM regulations as a consequence of an increase in the area covered by the Permit or of an increase in the cost of future reclamation due to inflation.

3. The parties anticipate that SCA will provide the State of Utah with a bond or other security satisfactory to DOGM to cover the Tailings Reclamation Cost and that upon providing such security, the Permit, insofar as it covers the Tailings, will be transferred to SCA or a new permit will be issued to SCA covering the Tailings. Upon such transfer or issuance of a new permit, the obligation of SRS to reclaim the Tailings and to fund the Tailings Reclamation Cost shall cease. DOGM agrees that it will not allow SCA to conduct any operations on the Tailings until SCA shall have provided such security and the Permit shall have been transferred or reissued to SCA.

4. On or before the Effective Date, SRS and DOGM shall establish an account to be known as the Sunnyside Reclamation Account at a financial institution located in Utah (the "Depository") mutually acceptable to both parties. The purpose of the Sunnyside Reclamation Account (the "Account") shall be to provide a fund to secure to the State of Utah the reclamation of the Mine and the Tailings pursuant to the terms of the Permit. The Account shall be an interest-earning account and investment of funds deposited in the Account shall be directed by SRS. Deposits into the Account shall be made by SRS as provided in Sections 5 and 6 of this Agreement. The documents establishing the Account shall provide that withdrawals and distributions from the Account may be made only with the written approval of

both of the parties hereto. Approval for withdrawals and distributions shall be granted by the parties pursuant to the terms of sections 8 and 11 of this Agreement.

5. On the Effective Date SRS shall deposit \$250,000 in the Account. Thereafter, on or before the tenth day of each month until the Account is fully funded or until alternate security is accepted pursuant to Section 8 of this Agreement, SRS shall deposit the additional sum of \$250,000 in the Account. The obligation of SRS to make such deposits is a firm obligation, which obligation is hereby unconditionally guaranteed by the undersigned Colorado Coal & Coke Co.

6. The Account shall be deemed fully funded when the amount deposited therein plus the accrued earnings thereon equals either (i) the Mine Reclamation Cost, if SCA provides the security and receives a transferred permit or new permit as contemplated in Section 3 above, or (ii) the total of the Mine Reclamation Cost and the Tailings Reclamation Cost, if SCA does not provide the security and receive a transferred or new permit.

7. If all of the provisions of this Agreement have been complied with on the Effective Date then, in the ordinary course of its business following the Effective Date, DOGM shall cause the Permit to be transferred to SRS. SRS shall have the right, commencing on the Effective Date and pending the completion of such transfer, to conduct mining, reclamation and all necessary related activities and operations in and upon the Mine and the Tailings pursuant to the Permit.

8. SRS may submit to DOGM at any time during the term of this Agreement a corporate surety bond, irrevocable letter of credit or other similar security to secure its obligation to the State of Utah to reclaim pursuant to the Permit. DOGM shall accept such alternate security provided it meets generally applicable statutory and regulatory requirements, provided, however, that DOGM shall not be required to accept a self-bond from SRS. Upon acceptance of such alternate security by the State of Utah, SRS shall be entitled to distribution of all funds then being held in the Account and DOGM shall promptly execute all documentation required by the Depository to effect such distribution. Upon such distribution the Account shall be closed.

9. (A) To further secure to the State of Utah the reclamation of the Mine and the Tailings pursuant to the terms of the Permit, SRS shall, on the Effective Date, deliver to DOGM (i) a deed of trust for the benefit of the State of Utah covering the water rights and undisturbed real property acquired by SRS from Coal pursuant to the Acquisition Agreement, and (ii) a chattel mortgage or other security agreement granting the State of Utah a security interest in the fixtures, buildings, equipment and other personal property acquired by SRS from Coal

pursuant to the Acquisition Agreement. The State of Utah shall have a lien pursuant to said deed of trust and chattel mortgage to the extent that the Mine Reclamation Cost and the Tailings Reclamation Cost, or the Mine Reclamation Cost only if the Permit insofar as it covers the Tailings has been transferred or reissued to SCA, are not covered and secured to the State of Utah by the Account or alternate security provided pursuant to Section 8 hereof.

(B) SRS shall have the right to sell and dispose of items of equipment and personal property covered by the Chattel Mortgage or other security agreement granted to the State of Utah pursuant to subsection 9(A). The proceeds of any such sale shall be deposited by SRS in the Account. The sale proceeds so deposited shall apply towards full funding of the Account. The proceeds so deposited shall be in addition to and shall not apply to reduce the amount (\$250,000) to be deposited each month pursuant to Section 5 of this Agreement.

10. On the Effective Date DOGM shall deliver to Coal a fully executed Final Release and Discharge in the form of Exhibit A attached hereto and made a part hereof. DOGM or its representative may attend and make such delivery at the Closing to be held pursuant to the Acquisition Agreement or it may make other appropriate arrangements to effect such delivery.

11. (A) Upon successful completion and satisfaction of all or part of the reclamation obligations for which it is responsible under the terms of applicable law and the Permit, SRS may petition DOGM for a partial or total release of its obligations under this Agreement and of the security provided hereunder. Upon such petition, DOGM shall timely conduct an inspection to determine whether reclamation obligations have been successfully completed as set forth in the petition. If so, DOGM shall release SRS from part or all of its obligations under this Agreement and shall authorize and approve either appropriate withdrawals and distributions to SRS from the Account, or, if alternate security has been provided pursuant to Section 8 hereof, appropriate reductions in the amounts of such security.

(B) (i) In the event SRS is unable to successfully complete all or any part of the reclamation obligations for which it is responsible under the terms of applicable law and the Permit then, following compliance by DOGM with its then effective regulations, if any, concerning notice to a permittee of conditions under which forfeiture may be avoided, DOGM shall be entitled to withdrawal and distribution from the Account of an amount equal to the estimated total cost of completing those reclamation obligations which SRS has failed to perform.

(ii) Upon DOGM becoming entitled to a withdrawal and distribution pursuant to the terms of subsection 11(B)(i), SRS shall promptly execute and deliver to the Depository

appropriate written evidence of its approval and authorization for such withdrawal.

(iii) If DOGM shall have complied with subsection 11(B)(i) above and if SRS shall fail to execute and deliver the evidence of approval and authorization required by subsection 11(B)(ii), DOGM shall nevertheless be entitled to withdrawal and distribution of the amount required to complete such reclamation obligation. In such event, DOGM may represent to the Depository that it is entitled to withdraw such amount and the Depository shall be entitled to rely on such representation and disburse such amount to DOGM notwithstanding the failure of SRS to execute evidence of its approval and authorization of such withdrawal.

(iv) SRS expressly agrees that the Depository shall not be liable for any disbursement made by it in good faith reliance upon a representation delivered to it by DOGM pursuant to subsection 11(B)(iii) of this Agreement.

12. All petitions, notices or other communications given to SRS or DOGM in accordance with the provisions of this Agreement shall be deemed to have been given or made when received in writing, addressed, if to DOGM, at its address at 124 State Capitol Building, Salt Lake City, Utah 84114, Attention: Barbara W. Roberts, Esq., and if to SRS, at its address at 2033 11th Street, Boulder, Colorado, 80302, Attention: David B. Corman.

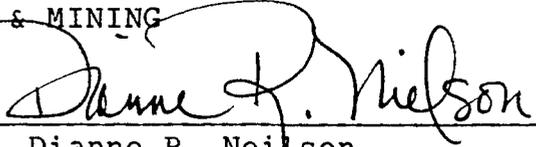
13. This Agreement shall be a contract made under and governed by the laws of the State of Utah.

14. This Agreement shall terminate on the date on which DOGM has determined that all reclamation obligations for which SRS is responsible under the terms of the Permit and this Agreement have been satisfied.

15. During the term of this Agreement SRS shall maintain public liability insurance as required by DOGM rules.

IN WITNESS WHEREOF, the parties hereto, by their duly authorized officers, have executed this Agreement as of the day and year written in the Preamble above.

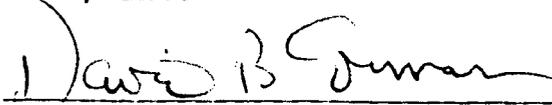
THE UTAH DIVISION OF OIL,  
GAS & MINING

By: 

Dianne R. Nielson  
Director

SUNNYSIDE RECLAMATION &  
SALVAGE, INC.

By:



~~Kenneth L. Ball~~  
President

Vice President, SRS Inc.

The undersigned, Colorado Coal & Coke Co., a Colorado corporation, hereby unconditionally guarantees the obligation of Sunnyside Reclamation & Salvage, Inc. to make the deposits provided for in Section 5 of this Agreement.

COLORADO COAL & COKE CO.

By: David B. Corman

David B. Corman  
Vice President

FINAL RELEASE AND DISCHARGE

1. This memorandum is the integrated expression of a complete and final release and discharge by the Utah Division of Oil, Gas and Mining, an agency of the State of Utah within the Department of Natural Resources, acting for itself and its successors and assigns to the fullest extent authorized by law ("Releasor").

2. The intended beneficiaries of this final release and discharge (herein referred to as the "Release") are Kaiser Coal Corporation, Kaiser Coal Corporation of Sunnyside, Kaiser Coal Corporation of Utah, and Kaiser Steel Corporation, together with, for each, all officials, officers, directors, agents, employees, attorneys, personal representatives, heirs, executors, administrators, subsidiaries, successors and assigns of each of them (collectively referred to as the "Debtors").

3. Releasor acknowledges the receipt of sufficient consideration for this Release, which consideration includes the settlement of all Claims (as defined herein) between Releasor and the Debtors.

4. The matters encompassed by this Release are claims, actions, suits, causes of action, accounts, judgments, agreements, promises, executions, debts, damages, demands, rights, obligations, liabilities, and controversies of every nature and description, in law or in equity, whether known or unknown, mature or contingent, direct or indirect, pleaded or unpleaded, suspected or unsuspected, arising from reclamation liability in conjunction with the operation of the Debtors'

Sunnyside mine under permanent program permit No. ACT/007/007, including, but not limited to, liability arising under the Surface Mining Control and Reclamation Act of 1977, 30 U.S.C. § 1201 et seq., respectively, Utah Code Annotated (1953, as amended), and any federal or state regulations promulgated to implement said acts (herein collectively referred to as the "Claims"), from the beginning of time to the date of this Release.

5. Releasor acknowledges that it may hereafter discover facts in addition to or different from those which it now knows or believes to be true with respect to the matters encompassed by this Release and discharge, but that it is the intention of Releasor to, and it does hereby, generally, fully, finally and forever settle, release and discharge all Claims which now exist, may exist or may hereafter be claimed to exist, within the scope of this Release. In furtherance of such intention, Releasor acknowledges that the Release herein given shall be and remain in effect as a full, final and complete release and discharge of all matters encompassed herein notwithstanding the discovery or existence of any such additional or different facts.

6. This Release may not be changed orally and can be changed only by the written agreement of duly authorized representatives of each of the Debtors.

7. Nothing in this Release, whether express or implied, shall confer any rights or remedies under or by reason of this Release on any person, group or entity other than the Debtors.

8. This Release is governed by the law of the State of Utah, without regard to the conflicts of law rules of such state.

9. The person executing this Release represents and warrants that he or she is a duly authorized representative of the named undersigned party, and has authority to execute this Release on behalf of that named undersigned party.

Dated: March 9, 1989.

DAVID L. WILKINSON  
Utah Attorney General

By: Barbara W. Roberts

Barbara W. Roberts  
Assistant Attorney General  
236 State Capitol  
Salt Lake City, Utah 84114