

The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza
New York, New York 10081

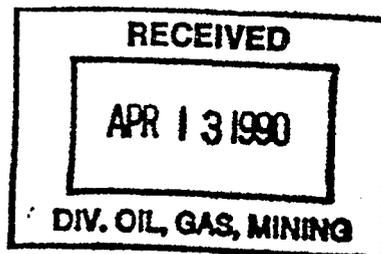
ACT/007/007 #2

Irrevocable Letter of Credit No. PG632732

**CHASE**

Date: April 12, 1990

UTAH DIVISION OF OIL, GAS AND MINING
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203



UNITED STATES DEPARTMENT OF THE INTERIOR
Office of Surface Mining Reclamation and Enforcement
Washington, DC 20240

Gentlemen and Ladies:

1. The Chase Manhattan Bank, N.A. ("Chase") hereby establishes, effective immediately, this irrevocable letter of credit ("Letter of Credit") in favor of the Utah Division of Oil, Gas and Mining ("Division") and the United States Department of the Interior, Office of Surface Mining Reclamation and Enforcement ("OSM") (individually or collectively, "Beneficiaries") for an aggregate amount not to exceed \$1,359,600.00 ("Face Amount"), which Face Amount may be reduced from time to time by the amount(s) of the sight draft(s) presented either by the Division or by OSM, as the case may be, in accordance with the terms of this Letter of Credit.

2. This Letter of Credit expires upon the earlier to occur of (a) 5:00 o'clock p.m. (New York City time) on December 31, 1992 and (b) the date on which all of the following events have occurred: (i) the closing pursuant to which a third party purchaser ("Purchaser") of the Geneva (Horse Canyon) Mine ("Mine") assumes the reclamation liability therefor pursuant to § 40-10-1, et seq., Utah Code Annotated (1953, as amended), (ii) Purchaser obtains an adequate operations or reclamation only permit from the Division, and (iii) Purchaser replaces this Letter of Credit with an alternative surety which complies with the Utah State Program and is reasonably satisfactory to the Division and OSM.

3. Upon the Division's or OSM's determination that:

- a. Kaiser Coal Corporation ("Coal") and any subsequent purchaser of the Mine have failed to abate the outstanding federal Notice of Violation issued at the Mine to the reasonable satisfaction of OSM by no later than thirty (30) days from OSM's approval of a plan of abatement;

- b. Coal and any subsequent purchaser of the Mine have failed to maintain the Mine in accordance with the applicable provisions of § 40-10-1 et seq., Utah Code Annotated (1953, as amended);
- c. Coal and any subsequent purchaser of the Mine have failed to submit to the Division a technically adequate reclamation permit application package within ninety (90) days from the date hereof; or
- d. the period of temporary cessation for the Mine has been terminated;

then the Division or OSM may draw under this Letter of Credit subject to the further terms and provisions hereof. The Division or OSM shall furnish prior written notice to Coal and Chase of Coal's failure to comply with the provisions of paragraph 3(a), (b) or (c) hereof, or the occurrence of the event described in paragraph 3(d) hereof. Such written notice shall (i) identify with specificity the type of failure to comply with the provisions of paragraph 3(a), (b) or (c) hereof, or (ii) advise of the occurrence of the event described in paragraph 3(d) hereof, and (iii) state with particularity the corrective action necessary to remedy any failure of compliance with paragraph 3 (a), (b) or (c) hereof. Thereafter, the Division or OSM shall be entitled to draw under the Letter of Credit if the failure to comply with the terms of this paragraph 3 (a), (b) or (c) hereof has not been cured to the reasonable satisfaction of OSM and the Division within thirty (30) days after such written notice has been furnished to Chase. Funds under this Letter of Credit are available against the Division's or OSM's sight draft, in the form of Exhibit 1 or Exhibit 2, specifying Letter of Credit No. PG632732, delivered to the Office of Chase, One New York Plaza, New York, New York 10004, Attention of Letter of Credit Division. At the election of the Division or OSM, the Division or OSM may present sight draft(s) for the Face Amount or for less than the Face Amount so long as the aggregate amount of all sight drafts does not exceed the Face Amount. Each sight draft must be accompanied by a certificate in the form of Exhibit 3 or Exhibit 4, signed by a duly authorized representative of the Division or OSM.

4. If Chase receives the Division's or OSM's sight draft(s) and certificate(s) as provided in Paragraph No. 3 above on or before the expiration or termination of this Letter of Credit, Chase shall make such amount as the Division or OSM may specify, within the limits of the sixth sentence of paragraph 3 of this Letter of Credit, available to the Division or OSM, as the case may be, no later than the close of business (New York City time) on the second business day following Chase's receipt of the sight draft and certificate, and in such manner as the Division or OSM shall specify.

5. This Letter of Credit may be amended only with the written consent of Chase, the Division and OSM, provided that the Face Amount may be reduced at any time, without the consent of Chase, upon delivery by the Division and OSM to Chase of written consent to such reduction, which consent shall specify the amount to which the Face Amount shall be reduced and the effective date of such reduction, and which, once received by Chase, shall be irrevocable.

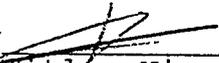
6. No delay on the part of the Division or OSM in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude other or further exercise of any right, power or privilege.

7. This Letter of Credit shall be governed by the law of the State of New York and shall be subject to the Uniform Customs and Practice for Documentary Credits, 1983 revision, International Chamber of Commerce Publication No. 400, as the same may be amended and in effect from time to time ("UCP"). In the event of a conflict between New York law and the UCP, New York law shall govern.

8. All communications regarding this Letter of Credit shall be addressed to The Chase Manhattan Bank (National Association), One New York Plaza, New York, New York 10004, Attention: Letter of Credit Department, referencing Letter of Credit No. PG632732, with a copy to The Chase Manhattan Bank (National Association), One Chase Manhattan Plaza (15th Floor), New York, New York 10081, Attention: Special Loan Administration.

Very truly yours,

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION)

By 

Title: Vice President

Martha Ann Feltz

EXHIBIT 1

DRAFT

Date City, County Reference No. LOC# PG632732

PAY TO OURSELVES [1] _____ DOLLARS

TO: The Chase Manhattan Bank, N.A., One New York Plaza, New
York, New York 10004, Attention of Letter of Credit Division

THE UTAH DIVISION OF OIL, GAS
AND MINING

Authorized Signature

USE: LOC # PG632732

1 By wire transfer in federal funds to: The Division of Oil,
Gas and Mining, Account No. _____, [INSERT EXACT
AMOUNT].

EXHIBIT 2

DRAFT

Date City, County Reference No. LOC# PG632732

PAY TO OURSELVES [1] _____
_____ DOLLARS

TO: The Chase Manhattan Bank, N.A., One New York Plaza, New
York, New York 10004, Attention of Letter of Credit Division

UNITED STATES DEPARTMENT OF THE
INTERIOR, OFFICE OF SURFACE
MINING RECLAMATION AND
ENFORCEMENT

Authorized Signature

USE: LOC # PG632732

1 By wire transfer in federal funds to: United States
Department of the Interior, Office of Surface Mining
Reclamation and Enforcement, Account No. _____, [INSERT
EXACT AMOUNT].

EXHIBIT 3

(LETTERHEAD OF UTAH DIVISION OF OIL, GAS AND MINING)

I, _____, a duly authorized representative of the Utah Division of Oil, Gas and Mining certify that (1) the drawing in the amount of \$ _____, by sight draft accompanying this certificate, under Letter of Credit No. PG632732, dated April 12, 1990 issued by you is permitted under the provisions of the Letter of Credit by reason of the failure of Kaiser Coal Corporation and any subsequent purchaser of the Geneva (Horse Canyon) Mine ("Mine") to cure within thirty (30) days after prior written notice thereof the failure to (a) abate the outstanding federal Notice of Violation issued at the Mine to the reasonable satisfaction of OSM and the Division by no later than thirty (30) days from OSM's approval of a plan of abatement, (b) maintain the Mine in accordance with the applicable provisions of § 40-10-1 et seq., Utah Code Annotated (1953, as amended), (c) submit to the Division a technically adequate reclamation permit application package within ninety (90) days from the execution thereof, or (d) the period of temporary cessation for the Mine has been terminated, (2) the Letter of Credit has neither expired nor terminated pursuant to its terms, and (3) the amount of the sight draft, together with any amounts previously drawn under the Letter of Credit either by the Division or by OSM aggregates \$ _____, which does not exceed the Face Amount. Proceeds of this drawing will be utilized in full to pay the following specific expenses relating to the site maintenance or reclamation liability relating to the Geneva (Horse Canyon) Mine:

<u>Name of Vendor</u>	<u>Amount</u>
	\$
	\$
TOTAL:	\$

THE UTAH DIVISION OF OIL, GAS
AND MINING

*Authorized Signature

Date: _____

EXHIBIT 4

(LETTERHEAD OF UNITED STATES DEPARTMENT OF THE INTERIOR,
OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT)

I, _____, a duly authorized representative of the United States Department of the Interior, Office of Surface Mining Reclamation and Enforcement certify that (1) the drawing in the amount of \$_____, by sight draft accompanying this certificate, under Letter of Credit No. PG632732, dated April 12, 1990 issued by you is permitted under the provisions of the Letter of Credit by of reason the failure of Kaiser Coal Corporation and any subsequent purchaser of the Geneva (Horse Canyon) Mine ("Mine") to cure within thirty (30) days after prior written notice thereof the failure to (a) abate the outstanding federal Notice of Violation issued at the Mine to the reasonable satisfaction of OSM and the Division by no later than thirty (30) days from OSM's approval of a plan of abatement, (b) maintain the Mine in accordance with the applicable provisions of § 40-10-1 et seq., Utah Code Annotated (1953, as amended), (c) submit to the Division a technically adequate reclamation permit application package within ninety (90) days from the execution thereof, or (d) the period of temporary cessation for the Mine has been terminated, (2) the Letter of Credit has neither expired nor terminated pursuant to its terms, and (3) the amount of the sight draft, together with any amounts previously drawn under the Letter of Credit either by the Division or by OSM aggregates \$_____, which does not exceed the Face Amount. Proceeds of this drawing will be utilized in full to pay the following specific expenses relating to the site maintenance or reclamation liability relating to the Geneva (Horse Canyon) Mine:

<u>Name of Vendor</u>	<u>Amount</u>
	\$
TOTAL:	\$

UNITED STATES DEPARTMENT OF THE
INTERIOR OFFICE OF SURFACE
MINING RECLAMATION AND
ENFORCEMENT

Authorized Signature

Date: _____