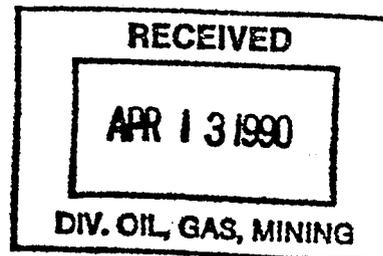


0030

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



April 12, 1990

State of Utah Division of Oil,
Gas and Mining
3 Triad Center
Suite 350
Salt Lake City, Utah 84180-1203

Attention: Diane R. Nielson, Director

United States Department of the Interior
Office of Surface Mining Reclamation
and Enforcement
Washington, DC 20240

Attention: Raymond L. Lowrie,
Assistant Director,
Western Field Operations

Re: Kaiser Steel Corporation and Kaiser Coal
Corporation

Dear Ms. Nielson and Mr. Lowrie:

This letter confirms the agreement ("Agreement") made by and between the Utah Division of Oil, Gas and Mining ("Division"), The United States Department of the Interior, Office of Surface Mining Reclamation and Enforcement ("OSM") and The Chase Manhattan Bank (National Association) ("Chase"), as agent for itself, Grant Street National Bank (in liquidation), as assignee of Mellon Bank, N.A., The Royal Bank of Canada and Banque Paribas (collectively, "Secured Lenders") regarding the administration of that certain Letter of Credit (defined below).

The Division and OSM agree to deliver releases in the form attached hereto and incorporated herein as Exhibit A and Exhibit B to the respective beneficiaries thereof in a simultaneous exchange for consideration from the Secured Lenders to the Division and OSM in the form attached hereto and incorporated herein as Exhibit C.

Exhibit C hereto is the form of a letter of credit to be issued by Chase (and participated in by each of the Secured Lenders) in the face amount of \$1,359,600.00, for the benefit of OSM and the Division ("Letter of Credit"). The purpose of the

Letter of Credit is to provide the assurance, upon the terms and to the extent thereof, that the Geneva (Horse Canyon) Mine ("Mine"), which is currently maintained in a state of temporary cessation by Kaiser Coal Corporation ("Coal"), will continue to be maintained and finally reclaimed.

The Division, OSM, and Chase each agrees as follows:

1. The Letter of Credit will be returned promptly by OSM and the Division to Chase upon the expiry of the Letter of Credit in accordance with its terms.

2. The proceeds of any draft properly drawn under the Letter of Credit will be used solely in connection with site maintenance and reclamation of the Mine. If such proceeds are not so utilized (or not so utilized in full) within five (5) days following the date of such drawing in connection with the maintenance or reclamation of the Mine (unless the bidding and procurement process has been commenced and is being diligently pursued), OSM and the Division agree to return promptly such excess proceeds to Chase, in such manner as may be directed by Chase, together with all interest that may have been earned thereon subsequent to such drawing.

3. As set forth in the Letter of Credit and subject to paragraph 4 below, if the Division or OSM makes a determination that:

- a. 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; *(went active)*

Alternative Enforcement Agreement

then Chase agrees that the Division or OSM may draw under the Letter of Credit subject to the terms and conditions thereof.

4. As set forth in the Letter of Credit, notwithstanding anything to the contrary contained herein,

neither the Division nor OSM shall draw under the Letter of Credit until such time as the Division or OSM shall have furnished prior written notice to Chase and to Coal of a determination of a failure by Coal to comply with the provisions of paragraph 3 (a), (b) or (c) hereof, or the occurrence of the event set forth in paragraph 3(d) hereof. Such written notice shall (i) identify with specificity Coal's failure to comply with the provisions of paragraph 3 (a), (b) or (c) hereof, or (ii) advise of the occurrence of the event set forth 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, if the failure of Coal to comply with the terms of 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, the Division or OSM shall then be entitled to present a draft under the Letter of Credit.

5. Any notification hereunder shall be furnished to Chase in writing by overnight mail or other similar method as follows:

Mr. Robert T. Sacks
Vice President
The Chase Manhattan Bank, N.A.
One Chase Manhattan Plaza
Special Loan Administration
15th Floor
New York, New York 10081

(with copies to)

Barry G. Radick, Esq.
Cynthia E. Cunningham, Esq.
Milbank, Tweed, Hadley & McCloy
One Chase Manhattan Plaza
New York, New York 10005

and

Glenn W. Merrick, Esq.
Davis, Graham & Stubbs
370 Seventeenth Street
47th Floor, Suite 4700
Post Office Box 185
Denver, Colorado 80201-0185

6. The Division and OSM agree that (i) the original Letter of Credit shall be held by the Division for the benefit of the Division and OSM, (ii) no draws under the Letter of Credit shall be made unless the original Letter of Credit is presented to Chase at the time of each such draw thereunder, and (iii) Chase shall be entitled to rely on any draft properly presented under the Letter of Credit by either the Division or

OSM.

7. No delay on the part of the Division or OSM in exercising any right, power or privilege under the Letter of Credit subject to the terms and conditions thereof shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege thereof preclude other or further exercise of any right, power or privilege.

8. The parties hereto acknowledge that it is their understanding that OSM, by executing this letter, does not consent, expressly or impliedly, to any modification of the Utah State Program, including, but not limited to, new or revised performance standards or reclamation requirements, or enforcement or administrative procedures.

9. The Division and OSM agree to notify Chase in writing as set forth in paragraph 5 hereof in advance of any draw under the Letter of Credit.

10. Promptly upon written request therefor, the Division and OSM shall provide Chase with an accounting of the use of any proceeds of any draft drawn under the Letter of Credit.

11. This Agreement may be executed in counterparts, all of which taken together shall constitute a single agreement.

12. This Agreement shall be governed by and construed in accordance with the law of the State of New York.

The Division and OSM acknowledge delivery and acceptance of the Letter of Credit and each agrees to be bound by the terms and conditions thereof and hereof.

Sincerely,

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION),
AS AGENT

By 

Martha A. Fetner
Vice President

Acknowledged and agreed on
this 12th day of April, 1990

STATE OF UTAH DIVISION OF OIL,
GAS AND MINING

By _____
Title:

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

By _____
Title:

*Signed by
OSM & DDM
4/13/90*

Exhibit A

FINAL RELEASE AND DISCHARGE

1. This memorandum is the integrated expression of a complete and final release and discharge ("Release") by the United States Department of the Interior, Office of Surface Mining Reclamation and Enforcement ("Releaser"), acting for itself and its successors and assigns to the fullest extent authorized by law.

2. The intended beneficiaries of this Release are (a) Kaiser Coal Corporation, Kaiser Coal Corporation of Sunnyside, Kaiser Coal Corporation of Utah (collectively referred to as "Coal") and Kaiser Steel Corporation ("Steel"), together with, for each, all officials, officers, directors, agents, employees, attorneys, personal representatives, heirs, executors, administrators, subsidiaries, successors and assignees of each of them (Coal and Steel are collectively referred to as the "Debtors"); and (b) The Chase Manhattan Bank (National Association) ("Chase") individually and as agent for itself, Grant Street National Bank (in liquidation), as assignee of Mellon Bank, N.A., The Royal Bank of Canada and Banque Paribas (collectively referred to as the "Secured Lenders"), together with, for each, all officials, officers, directors, agents, employees, attorneys, personal representatives, heirs, executors, administrators, subsidiaries, successors and assigns of each of them, all except to the extent of the consideration in the form annexed hereto as Exhibit A-1 and that certain corresponding letter agreement dated April 12, 1990 between Chase, Releaser and the Utah Division of Oil, Gas & Mining.

3. Debtors are debtors in possession in jointly administered bankruptcy proceedings designated as Case No. 87 B 01552 E pending before the United States District Court for the District of Colorado in Bankruptcy.

4. Releaser acknowledges the receipt of sufficient consideration for this Release.

5. 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 equity, whether known or unknown, mature or contingent, direct or indirect, pleaded or unpleaded, suspected or unsuspected, from the beginning of time to the date of this Release, arising from reclamation and all other environmental or site maintenance liability under the Surface Mining Control and Reclamation Act of 1977, 30 U.S.C.

1201 et seq., ("SMCRA"), the Utah Code Annotated (1953, as amended), and any federal or state regulations promulgated to implement reclamation and all other environmental or site maintenance liability under said acts (herein collectively referred to as "Claims") in conjunction with the operation or maintenance of the Debtors' Geneva (Horse Canyon) Mine ("Mine"), which was permitted under interim program permit No. ACT/007/013 and which is currently maintained in a nonoperational status. Notwithstanding the foregoing, nothing in this Release shall be construed as, or shall constitute, a waiver (either express or implied), or an impairment of the assertion of any right, remedy, claim, defense or cause of action that the Releasor may have against the Debtors with respect to the payment of reclamation fees; the maintenance of liability insurance coverage while any of the Debtors are the owner of record of Mine; the abatement of the outstanding federal Notice of Violation No. 89-02-370-006; violation information disclosure as required by SMCRA, the OSM regulations at 30 C.F.R. Subchapter G, and the Utah State Program.

6. 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, 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.

7. This Release may not be changed orally and can be changed only by the written agreement of duly authorized representatives of each of OSM, the Secured Lenders and the Debtors.

8. 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 Secured Lenders and the Debtors.

9. By executing this Release, Releasor does not intend to consent to, expressly or impliedly, any modification of the Utah State Program, including, but not limited to, new or revised performance standards or reclamation requirements, or enforcement or administrative procedures.

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

Dated: April 12, 1990

By _____
U.S. Department of the
Interior, Office of Surface
Mining Reclamation and
Enforcement

Exhibit A-1

Irrevocable Letter of Credit No. PG632732
[LETTERHEAD OF THE CHASE MANHATTAN BANK, N.A.]

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

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: _____

Exhibit B

FINAL RELEASE AND DISCHARGE

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

2. The intended beneficiaries of this Release are (a) Kaiser Coal Corporation, Kaiser Coal Corporation of Sunnyside, Kaiser Coal Corporation of Utah (collectively referred to as "Coal") and Kaiser Steel Corporation ("Steel"), together with, for each, all officials, officers, directors, agents, employees, attorneys, personal representatives, heirs, executors, administrators, subsidiaries, successors and assignees of each of them (Coal and Steel are collectively referred to as the "Debtors"); and (b) The Chase Manhattan Bank (National Association) ("Chase"), individually and as agent for itself, Grant Street National Bank (in liquidation), as assignee of Mellon Bank, N.A., The Royal Bank of Canada and Banque Paribas (collectively referred to as the "Secured Lenders"), together with, for each, all officials, officers, directors, agents, employees, attorneys, personal representatives, heirs, executors, administrators, subsidiaries, successors and assigns of each of them, all except to the extent of the consideration in the form annexed hereto as Exhibit A-1 and that certain corresponding letter agreement dated April 12, 1990 between Chase, Releasor and United States Department of the Interior, Office of Surface Mining Reclamation and Enforcement.

3. Debtors are debtors in possession in jointly administered bankruptcy proceedings designated as Case No. 87 B 01552 E pending before the United States District Court for the District of Colorado in Bankruptcy.

4. Releasor acknowledges the receipt of sufficient consideration for this Release.

5. 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 equity, whether known or unknown, mature or contingent, direct or indirect, pleaded or unpleaded, suspected or unsuspected, from the beginning of time to the date of this Release, arising from reclamation and all other environmental and site maintenance liability under the Surface Mining Control and Reclamation Act of 1977, 30 U.S.C.

1201 et seq., ("SMCRA"), the Utah Code Annotated (1953, as amended), and any federal or state regulations promulgated to implement reclamation and all other environmental or site maintenance liability under said acts (herein collectively referred to as "Claims") in conjunction with the ownership, operation or maintenance of the Debtors' Geneva (Horse Canyon) Mine ("Mine"), which was permitted under interim program permit No. ACT/007/013 and which is currently maintained in a nonoperational status. Notwithstanding the foregoing, nothing in this Release shall be construed as, or shall constitute, a waiver (either express or implied), or an impairment of the assertion of any right, remedy, claim, defense or cause of action that the Releasor may have against the Debtors with respect to the maintenance of liability insurance coverage while any of Debtors are the owner of record of the Mine or the abatement of the outstanding State of Utah Notice of Violation No. N89-26-23-2 (1 of 2).

6. 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, 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.

7. This Release may not be changed orally and can be changed only by the written agreement of duly authorized representatives of each of the Division, the Secured Lenders and the Debtors.

8. 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 Secured Lenders and the Debtors.

9. By executing this Release, Releasor does not intend to consent to, expressly or impliedly, any modification of the Utah State Program, including, but not limited to, new or revised performance standards or reclamation requirements, or enforcement or administrative procedures.

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

11. This Release shall be governed by the law of the State of Utah.

Dated: April 12, 1990

By _____
Utah Division of Oil, Gas
& Mining

Exhibit A-1

Irrevocable Letter of Credit No. PG632732
[LETTERHEAD OF THE CHASE MANHATTAN BANK, N.A.]

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

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:

Name of Vendor

Amount

\$

TOTAL: \$

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

Authorized Signature

Date: _____

Exhibit C

Irrevocable Letter of Credit No. PG632732
[LETTERHEAD OF THE CHASE MANHATTAN BANK, N.A.]

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

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].

