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DENVER FIELD OFFICE  
U.S. DEPARTMENT OF THE INTERIOR  
OFFICE OF THE SOLICITOR  
DIVISION OF SURFACE MINING

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ACT/007/007  
#2  
(1990)

FAX TRANSMITTAL SHEET

FAX OPERATOR, PLEASE DELIVER THE FOLLOWING FAX TO:

NAME: Allen Klein

LOCATION: Western Field Operations  
Denver, Colorado

FAX NUMBER: (      ) 844-4380 / (FTS) 564-4380

VOICE NUMBER: (303) 844-2459 / (FTS)           

NUMBER OF PAGES SENT, EXCLUDING THIS SHEET: 19

THIS FAX IS FROM: AL Kashinski

OFFICE OF THE SOLICITOR  
DENVER FIELD OFFICE

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SENDER, PLEASE ATTACH FAX CONFIRMATION SLIP HERE.

DAVIS, GRAHAM & STUBBS

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CABLE DAVGRAM, DENVER

January 12, 1990

Ms. Laura Voss  
Special Assistant to the Director  
Office of Surface Mining  
Department of the Interior  
South Interior Building  
1951 Constitution Avenue, N.W.  
Room 233  
Washington, D.C. 20240

VIA FEDERAL EXPRESS

Re: Upcoming meeting with the Director of OSM

Dear Ms. Voss:

Further to my correspondence to you dated January 8, 1990, I enclose for your review the briefing paper described in my January 8 letter. We trust that it will prove useful to you as a more detailed description of the request being made of the Office of Surface Mining.

As you can see, I have sent (via Federal Express) this letter, and the enclosed briefing paper, to all of the persons listed on the briefing paper distribution list in an effort to bring everyone up to speed prior to our meeting on Wednesday. I believe that the precise language of the letter of credit to be furnished by the Secured Lenders will be worked out by the time of our January 17 meeting. Our latest information is that neither Ms. Nielson nor Ms. Roberts believe it necessary that they attend the meeting. However, counsel for the Kaiser companies, Harold G. Morris, Jr. of the Denver law firm of Sherman & Howard, does intend to attend.

Thank you for your assistance and I apologize for not getting the briefing paper to you sooner.

Very truly yours,

  
Glenn W. Merrick  
for

DAVIS, GRAHAM & STUBBS

GWM/gjv  
Enclosure

PROPOSAL TO RESOLVE RECLAMATION LIABILITY  
GENEVA (HORSE CANYON) MINE IN UTAH

The Secured Lenders<sup>1/</sup> hereby request the consent of the Office of Surface Mining of the Department of the Interior ("OSM") to a proposed restructuring of the land reclamation liability of Kaiser Coal Corporation and certain of its subsidiaries and affiliates ("Kaiser Debtors") with respect to the Geneva (Horse Canyon) Mine in Utah currently owned by Kaiser Coal Corporation.

In February 1987, the Kaiser Debtors filed petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Colorado. Some months later, certain of the Kaiser Debtors commenced litigation against the Secured Lenders seeking monetary damages in an amount exceeding \$100 million. The parties ultimately resolved the claims against the Secured Lenders, together with certain other issues, and documented their agreement in a Compromise and Settlement Agreement which was approved by the Bankruptcy Court in September 1988. The Bankruptcy Court's order approving the Compromise and Settlement Agreement, which was affirmed on appeal in the United States District Court for the District of Colorado, is now on appeal in the United States Court of Appeals for the Tenth Circuit. Oral argument is scheduled for March 7, 1990.

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1/ The Chase Manhattan Bank (National Association) 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.

The Compromise and Settlement Agreement, which must become effective no later than April 15, 1990, requires that Utah Division of Oil, Gas and Mining ("DOGM") and OSM provide to the Kaiser Debtors releases of reclamation liability for the Geneva (Horse Canyon) Mine and the Secured Lenders agreed to facilitate the delivery of such releases. DOGM has confirmed that the cost of the reclamation work will not exceed \$918,649.80 (See Exhibit A). In order to fulfill the terms of the Compromise and Settlement Agreement by the April 15, 1990 deadline and to assure DOGM and OSM that the required reclamation work will be performed, the Secured Lenders propose to substitute certain of their property, guarantees and/or other obligations for this reclamation liability. The Secured Lenders have obtained DOGM's approval of their proposal. (See Attachment A.) The Compromise and Settlement Agreement also requires the approval of OSM.

It should also be noted that the Geneva (Horse Canyon) Mine is currently under contract to be sold to Intermountain Power Agency ("IPA"). The purchase agreement, which requires IPA to assume all of Kaiser Coal's reclamation obligations relating to the mine, has been approved by the Bankruptcy Court, and the order is on appeal to the District Court. Regardless of the outcome of this appeal, however, the reclamation liability for the Geneva (Horse Canyon) Mine would be fully discharged, either by IPA or by means of the Secured Lenders' proposal.

With the approval of both DOGM and OSM, the Kaiser Debtors and the Secured Lenders may consummate the terms of the Compromise and Settlement Agreement, thereby ending a complicated

and costly litigation and expediting the resolution of the Kaiser Debtors' chapter 11 cases. The Secured Lenders believe that this proposal will assure DOGM and OSM that the reclamation liability will be satisfied. The Secured Lenders therefore request that OSM execute and deliver the form of release attached hereto as Attachment B simultaneously with the Secured Lenders' implementation of the proposal described herein.

Dated: January 11, 1990

TO THE PARTIES ON THE ATTACHED LIST

Enclosures

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NORMAN H. BERGERSON

GOVERNOR

LOWE C. HANSEN

SECRETARY OF STATE

DAVID R. WILSON, Ph.D.

TREASURER

# State of Utah

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

366 West North Temple

3 Third Center Suite 300

Salt Lake City Utah 84103-1203

801 638-6340

January 12, 1990

The Chase Manhattan Bank (National Association), 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  
1 Chase Manhattan Plaza  
New York, New York 10081

Attention: Robert T. Sacks,  
Vice President

Dear Mr. Sacks:

Subject to the performance by The Chase Manhattan Bank (National Association), Grant Street National Bank (in liquidation) as assignee of Mellon Bank, N.A., The Royal Bank of Canada and Banque Paribas (collectively, the "Secured Lenders") of the condition described herein, this letter confirms the agreement of the Utah Division of Oil, Gas and Mining ("DOGM"), on behalf of itself; to deliver to the Secured Lenders, Kaiser Coal Corporation, and Kaiser Steel Corporation releases of the reclamation obligation respecting the Geneva (Horse Canyon) Mine in the form annexed hereto as Exhibit 1.

DOGM acknowledges that the outstanding reclamation obligation of Kaiser Coal Corporation in the State of Utah is limited to the Geneva (Horse Canyon) Mine.

The delivery by DOGM of the releases described above is subject to the condition that DOGM receive simultaneously from the Secured Lenders property, guarantees or other rights of interests satisfactory to DOGM to assure the performance of the reclamation requirements for the Geneva (Horse Canyon) Mine in an amount not to exceed \$918,649.00. The form of such property, guarantees or other rights or interests shall be an obligation of the Secured Lenders to DOGM in the form of a Letter of Credit annexed hereto as Exhibit 2.

Page 2  
Mr. Robert T. Sacks  
January 12, 1990

DOGM acknowledges that the delivery of such property, guarantees or other rights or interests by the Secured Lenders is expressly contingent upon the effectiveness of the Compromise and Settlement Agreement, dated as of September 22, 1988 (as amended the "Settlement Agreement"), as described in Section 3(a) thereof, without any approval by the United States Bankruptcy Court for the District of Colorado, except for: (a) the Findings of Fact, Conclusions of Law and Order Authorizing and Approving the Debtors' Entry Into Settlement Agreement and Related Documents, Debtor in Possession Credit Agreement, Reclamation and Settlement Agreement and Purchase and Sale Agreement, dated September 12, 1988, and entered on September 29, 1988, and (b) the Judgment, dated January 10, 1989, and entered on January 12, 1989.

Best Regards,



Dianne R. Nielsen  
Director

Attachments (2)  
ksg  
cc: Office of Surface Mining  
AD560/8-9

## Exhibit 1

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 ("Releaser").
2. The intended beneficiaries of this final release and discharge (herein referred to as the "Release") are (a) 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") and (b) The Chase Manhattan Bank (National Association), 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, 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.
3. Releaser acknowledges the receipt of sufficient consideration for this Release, which consideration includes the settlement of all Claims (as defined herein) between Releaser 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' Geneva (Horse Canyon) Mine under permanent program permit No. ACT/007/013; 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 duly authorized representative of the named undersigned party, and has authority to execute this Release on behalf of that named undersigned party.

DATED: January \_\_, 1990.

STATE OF UTAH  
Division of Oil, Gas and Mining

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DIANNE R. WILSON, Director

Exhibit 2

[Letter of Credit]

(Under revision by DOGM and Secured Lenders)

## FINAL RELEASE AND DISCHARGE

1. This memorandum is the integrated expression of a complete and final release and discharge by the Office of Surface Mining, Reclamation and Enforcement, an agency of the United States within the Department of the Interior, 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 (a) 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") and (b) The Chase Manhattan Bank (National Association), 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, 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.

3. Releasor acknowledges the receipt of sufficient consideration for this Release, which consideration includes the



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. 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: January \_\_\_\_, 1990.

By: \_\_\_\_\_  
Department of the Interior  
Office of Surface Mining,  
Reclamation and Enforcement

**Exhibit A**

**[Letter of Credit]** .

**(Under revision by OSM and Secured Lenders)**

Exhibit B

[Letter of Credit]

Legal description of Geneva (Horse Canyon) Mine