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DIVISION OF
OIL, GAS & MINING

VIA FACSIMILE

October 7, 1993

(801) 359-3940

James M. Carter
Director
UTAH DIVISION OF OIL, GAS & MINING
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

RE: Sunnyside Coal Company Request for Deed of Reconveyance -- Water Right No. 91-231

Dear Director Carter:

By Agreement dated September 30, 1993, by and between Sunnyside Coal Company ("SCC"), Seller, and Sunnyside Cogeneration Associates ("SCA"), Buyer, SCC has agreed to sell SCA Water Right No. 91-231 for the appraised value of \$600,000. Pursuant to the terms of the Agreement, the parties have entered into an escrow arrangement with Zions First national Bank. SCC has agreed to obtain from the Utah Division of Oil, Gas & Mining (the "Division") a partial deed of reconveyance to release the water right from the Division's deed of trust. SCC has agreed to obtain the deed of reconveyance from the Division within 45 days of the agreement, i.e., no later than November 14, 1993.

SCC is proposing to replace the collateral released by the deed of reconveyance with a letter of credit issued by Zions First National Bank to partially secure the reclamation liability at the Sunnyside Mine. Tom Coleman at Zions has agreed to establish a side agreement between the Division, Zions and SCC, whereby Zions would release the letter of credit in the amount of \$600,000 to the Division upon closing of the water right purchase.

I understand that you may need to review this matter with the federal Office of Surface Mining ("OSM") and that OSM may want to be a signatory to the side agreement and/or be included on the letter of credit.

James M. Carter
October 7, 1993
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Please confirm whether this approach is acceptable to the Division and OSM and we will proceed with drafting a side agreement for review of all parties.

Thank you for your assistance in this matter.

Very truly yours,



Denise A. Drago

DAD:jmc:20873

cc: Robert M. Burnham
Joe Fielder
Tom Coleman
Thomas A. Mitchell, Esq.