

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

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Salt Lake City, Utah 84180-1203  
801-538-5340

February 18, 1993

CERTIFIED MAIL  
P 074 975 248

Joe Fielder, General Manager  
Sunnyside Coal Company  
P.O. Box 99  
Sunnyside, Utah 84539

Dear Mr. Fielder:

Re: Replacement Bond Required for Adequate Bond Coverage,  
Sunnyside Coal Company, Sunnyside Mine, ACT/007/007, Folder  
#2, Carbon County, Utah

The Division has reviewed the most recent property appraisals for Sunnyside Coal Company properties, which are collateral for the Sunnyside Coal Mine Reclamation Bond. The appraisal prepared by Mr. George Fujii valued the property at \$920,000, and the appraisal prepared by Mr. Jeffery Anderson valued the property at \$575,000. Both appraisals included all water rights which are appurtenant to the property. This constitutes the bulk of the assets pledged as collateral for the Sunnyside Coal Mine Reclamation Bond. Because the Division has no information with which to value the remaining water rights, and because the subject property is subject to tax liens by the local county, the Division has determined that it is under secured by an amount equal to the existing bond amount set for the Sunnyside Coal Company, minus the average appraisal (the average of \$920,000 and \$575,000), plus the amount of the county tax lien, \$344,474.30. This sum is determined to be \$3,180,810.30.

Pursuant to Utah Admin. R. 645-301-812-700, "the Division will require in the permit that adequate bond coverage be in effect at all times. Except as provided in R. 645-301-840.520, operating without a bond is a violation of a condition upon which the permit is issued."

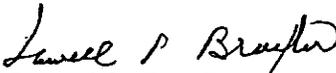
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The devaluation in the security underlying Sunnyside Coal Mine's Reclamation Bond is most like the incapacity of a bank or surety company or insolvency or suspension or revocation of a charter or licensee, such that a permittee may be deemed to be without adequate bond coverage. The Division is therefore, by this letter, notifying you that you are without bond coverage and specifying the time period in which replacement bond coverage must be instituted.

The Division is providing you with sixty days from the date of this letter to replace bond coverage. The Division will consider at the end of the sixty-day period an additional thirty days upon written application of the operator for an extension. Please be aware that pursuant to Utah Admin. R. 645-301-840.520 if an adequate bond is not posted within this period, the operator must cease coal extraction and comply with the provision of Utah Admin. R. 645-301-541.100 through R. 645-301-541.400 and immediately begin to conduct reclamation operations in accordance with the reclamation plan. Mining operations cannot resume until the Division has determined that an acceptable bond has been posted.

This is not a notice of adjustment of amount pursuant to Utah Admin. R. 645-300-830.400. If you have any questions concerning this matter, please feel free to contact me directly.

Sincerely,

  
Lowell P. Braxton  
Acting Director

lsj

LPB93009.LTR

cc: Thomas A. Mitchell, Esq.  
Pamela Grubaugh-Littig  
Ken Oldham, Esq.  
R. Hagen  
OSM - Albuquerque