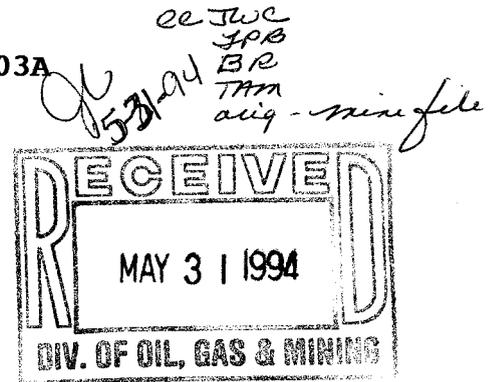


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MOSER MINE SALVAGE, INC.
2727 West 92nd Avenue, Suite 103A
Denver, CO 80221-5214
(303) 428-9964
Fax (303) 428-3817



May 20, 1994

Mr. Bob Burnham, President
Sunnyside Coal Company
1113 Spruce Street
Boulder, CO 80302

Mr. Duane H. Gillman
Attorney for Unsecured Creditor's Committee
McDowell & Gillman, P.C.
Twelfth Floor, 50 West Broadway
Salt Lake City, UT 84101

re: Sunnyside Salvage Project Proposal (Revised)

VIA FAX - HARD COPY MAILED

Dear Mr. Burnham & Mr. Gillman:

Moser Mine Salvage, Inc. (Moser) has developed this preliminary proposal to recover and salvage the assets of Sunnyside Coal Company's Sunnyside mine. This preliminary proposal could also be the basis for a joint reorganization plan. Based on the information obtained from the Bankruptcy Court documents and our knowledge on the mine, the potentially marketable assets include:

- o Westfalia Longwall system
- o Underground conveyor systems
- o Remaining Coal in the longwall panel
- o Mobile Equipment (Underground and surface)
- o Power distribution systems (underground & surface)
- o Preparation Plant
- o Main Mine fans and associated facilities
- o Other Surface Buildings

Moser proposes to advance the longwall approximately 565 feet, support the roof and then extract the face. While the longwall is being advanced salvage operations would commence in the bottom of # 3 mine and on the surface. While some coal would be mined as part of the longwall salvage, it is not Moser's intent to mine the remaining portion of the panel as there does not appear to be a market for the coal at this time. However, if a coal buyer should wish to purchase coal, Moser will petition the court to accept the coal contract and allow mining of the coal thereby increasing the return to the estate. Once the longwall is extracted, the remaining

areas of the # 1 and # 3 mines would be salvaged.

Moser anticipates that it will either use the equipment in the mine or rent as necessary to perform the salvage work. Local labor will be hired for this project.

PROJECT SCHEDULE

This salvage operation is projected to last six months as outlined below:

- o 0-4 weeks - Repair Headgate Drive and other existing problems on face, Salvage area below 12th Left in # 3 mine, Begin salvage of non essential surface assets, Begin advancing the longwall.
- o 5-9 weeks - Advance longwall to next crosscut, support roof and extract the face.
- o 10-20 weeks - Complete salvage of # 1 and # 3 mines.
- o 21-24 weeks - Salvage surface facilities including sealing shafts and portals.

PROJECT REVENUE

The potential return to the estate is presented below:

Sale of Assets

<u>Asset Description</u>	<u>Revenue 000's</u>
Longwall	\$ 3,900
Coal Sales	2,250
Conveyor System - Underground	1,000
Mobile Equipment - Underground & Surface	1,000
Other underground Assets	750
Surface Assets	800
Total Revenue	\$ <u>9,700</u>
Less:	
Moser's Estimated Interest Cost	300
Moser's Estimated Salvage Costs	3,520
Moser's Commission	<u>1,715</u>
Total Salvage and Recovery Costs	\$ <u>5,535</u>
Net Proceeds to Estate	\$ <u>4,165</u>

Additional proceeds or net benefit to the estate may be realized by the following:

o Moser's salvage and removal of the surface facilities which would include the removal of the fans, the filling the fan shafts and the sealing of the portals would reduce the reclamation liability of \$1.8 million by an estimated reduction of \$600,000 - \$800,000. The only Phase I reclamation liability remaining will be regrading and seeding the surface property, after which, 60% of the reclamation bond could then be released. \$ 1,080,000

o Sale of Land: 24,000 Acres @ \$ 100/Acre \$ 2,400,000.

o Sale of Water Rights: \$ 1,600,000.

Proceeds from the sale of the water rights would be deposited in an escrow account to secure the balance of the reclamation bond.

CORPORATE OVERVIEW

Moser Mine Salvage, Inc. started business in June 1991 as a sole proprietorship and subsequently incorporated in April 1992. Moser Mine Service, Inc. (an affiliated company) brokers new and used equipment through a national and international network which provides the capability to liquidate assets at market prices.

KEY PROJECT PERSONNEL

Robert W. Moser, President and CEO

Mr. Moser has nine years experience in the mining industry. His responsibilities have included supervision of mine accounting departments and joint venture analysis. For the last four years, Mr. Moser has successfully salvaged mines in the Rocky Mountain Area and sold used mining equipment nationwide.

Gary J. Neff, Vice President Marketing and Administration

Mr. Neff has over eleven years experience in the mining industry as well as seven years experience in industrial fixed and heavy mobile equipment environments. His responsibilities have included coal supply contract negotiation and administration and inventory and cost controls. Mr. Neff also has seven years experience in marketing services and products to the mining industry.

William P. Balaz, Jr., P.E.

Mr. Balaz is a graduate mining engineer with over 22 years experience in the mining industry. His responsibilities have been in engineering, regulatory and operations positions including Mine Manager at Sunnyside. As mine manager, Mr. Balaz was responsible for the start up of the Westfalia longwall after it was idled for

10 months. Mr. Balaz was also responsible for salvaging the Thyssen longwall in # 3 mine after it was idle for an extensive period.

Additional information on Moser's capabilities is attached.

CONTINGENCIES

This proposal is contingent on the following conditions:

1. The Debtor in Possession (Debtor) and the Unsecured Creditor's Committee agree to this course of action and will work on a mutually acceptable reorganization plan.
2. An agreement providing exclusive salvage and brokerage rights to Moser be approved by the Debtor and executed prior to approval by the Unsecured Creditors Committee, the Bankruptcy Court, and other consenting secured creditors.
3. Moser will be granted an administrative claim on the estate by the Debtor, pending approval of the Unsecured Creditors Committee, other consenting secured debt, and the Bankruptcy Court. Moser will be granted a claim to the estate at least senior to the unsecured creditors and any consenting secured creditors.
4. After the Debtor executes a Salvage and Brokerage Agreement with Moser, Moser will assume control of the Sunnyside Coal Mine and will assume responsibility for the following Salvage Project Costs: utility expense, general liability insurance, subcontractor expenses, project salaries, wages, and benefits, equipment rental expense, material and supply expenses, local trucking expense, storage expense, interest expense, subsistence expense, reasonable travel expense, reasonable marketing expenses, coal extractive taxes, coal production royalties, and any other related project expenses.
5. Prior to Moser assuming the Sunnyside Salvage Project the following must occur:
 - a. Debtor management personally terminates the employment of all personnel (union and non-union) at the mine site.
 - b. Prior to the layoff. Moser will post a help wanted notices on the office and bathhouse bulletin boards as well as advertise in the local newspaper and may extend offers to key former Sunnyside employees after their termination.
 - c. Moser will make arrangement with Utah Power And Light to take over the Sunnyside power bill from the date Moser

has the meter read going forward.

d. Moser will make arrangements with its insurance carrier to extend coverage to the Sunnyside Salvage Project.

6. Moser is a non-union operator. Moser will not assume any collective bargaining agreement between Sunnyside Coal Company and the United Mine Workers of America or any union pension liabilities, or any other union related liabilities. Resolving any disputes between Debtor and the Union will be the responsibility of the Debtor's management, and Debtor must promise to take whatever actions necessary to resolve any union labor disputes at the Sunnyside Mine.
7. Moser will advise the hourly work force of our status as a non-union operator and a contractor for the Debtor and the Bankruptcy Court and will pledge to employ as many former Sunnyside employees as required for the salvage project. The short duration of the salvage project will not support an above average wage rate and benefit schedule.
8. Moser will not assume any liabilities associated with the Sunnyside Mine except the liabilities specifically mentioned in this proposal.
9. Moser will not accept the reclamation liability. However, Moser will negotiate with the debtor to perform any work necessary to for the reclamation of the Sunnyside Mine.
10. Debtor will obtain permission from DOGM to allow Moser to mine as necessary under the current mine permit in order to facilitate the recovery of the longwall, and in addition, obtain permission from Geneva Steel to mine the coal on their state lease.
11. The Joy shearer, the headgate shields, mainline belts and other equipment are necessary for advancing the longwall. Debtor will cease the removal of this equipment which will cause the remaining longwall components to be left in the mine resulting in the loss of revenue to the estate.
12. Pending negotiation of the Salvage and Brokerage Agreement, Debtor's Management will suspend any all salvage operations of the mine and only perform necessary fire bossing and any other reasonably necessary maintenance functions at the mine.

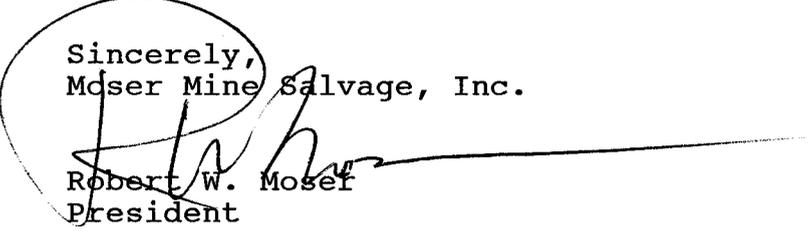
13. Moser will continue to pursue the sale of coal from the remaining longwall panel (23 Left) unless any purchase agreement with the interested party excludes the use of the longwall to mine that panel of coal.
14. A mine visit by Moser is needed to allow Moser to appraise the equipment condition to better estimate the potential revenues to the estate.
15. Upon acceptance of this proposal, Debtor will hire Moser to perform an appraisal of the condition of the equipment. Moser will be paid an appraisal fee of \$25,000 payable 30 days after the date of the report and which will be credit against any future brokage fees earned on the sale of Sunnyside Assets if Moser is hired by the Debtor.
16. Moser will provide the debtor an appraisal report of the Sunnyside Assets and based on that appraisal, Moser and the Debtor will establish Minimum Acceptable Selling Prices (MASP) for the Sunnyside Assets with the exception of the longwall components which have a letter of intent with an interested party in progress. Once the MASP is established, Moser can only sell the asset at or above the MASP unless the Debtor chooses to reduce the MASP.
17. Moser will provide the Debtor with a Budget of Salvage Project Costs and Other Project Expenses for its review and approval.
18. No Funds will be withdrawn by the Debtor for the benefit of the estate or its creditors until deposits in the Salvage Account for the sale of Assets exceed the Predetermined Minimum Amount (PMA) of Asset Sales.
19. The Debtor will provide Moser with the its budget of Debtor expenses so Moser can use that amount in determining the PMA.
20. Moser shall be entitled to a commission of 20% of the gross sale price of the Assets, plus 10% of the gross sale price for any coal sales. Moser shall be entitled to be reimbursed for 110% of its Salvage Project Costs, 100% of its Other Project Expenses, and 100% of its Interest Expense.
21. This proposal is contingent upon final approval by Moser's legal counsel and upon Moser obtaining the approval of all necessary parties and the U.S. Bankruptcy Court.
22. Upon the execution of an exclusive salvage and brokerage

agreement, Moser will set up a joint checking (salvage) account and fund that account at that time. Moser's expenses and fees and any Debtor expenses properly approved by the Bankruptcy Court will be paid by the account.

The salvage revenues are based on our knowledge of market conditions as of the date of this preliminary proposal and without the benefit of a mine visit. These potential revenues are subject to revision based on changing market and/or mine conditions.

We respectfully submit this proposal for your consideration.

Sincerely,
Moser Mine Salvage, Inc.



Robert W. Moser
President

cc: Craig Johnson
Jack Smith - Holland and Hart
W.P. Balaz
BXG, Inc.
Bureau of Land Management
Cate Carbon Equipment Company
DOGM
IBM Credit
Joy Technologies, Inc.
Intermountain Electronic, Inc.
Carbon County Treasurer