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HAND DELIVERED

February 28, 1994

RECEIVED
FEB 28 1994

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

ACT/007/007 #4
Copy Jim

RE: Request for Partial Reconveyance

Dear Director Carter:

On behalf of Sunnyside Coal Company ("SCC"), enclosed as we discussed is a Request for Partial Reconveyance, Partial Reconveyance and Escrow Agreement regarding the pending sale of undisturbed lands by SCC. This pending sale is currently set to close on Friday, March 11, 1994. We have reviewed the Escrow Agreement (the "Agreement") with David Van Wagoner, Trust Department at Zions First National Bank, and have requested him to execute a counterpart original if the Agreement is satisfactory to the Division of Oil, Gas & Mining (the "Division").

We envision use of the same or similar form of letter of credit as negotiated by the Division and Office of Surface Mining in connection with the sale of water rights to Sunnyside Cogeneration Associates.

Please contact me as soon as possible regarding this matter.

Very truly yours,

Denise A. Dragoo

DAD:jmc:29853
Enclosures
cc: Lowell Braxton (with enclosures)
Robert M. Burnham
Thomas A. Mitchell, Esq. (with enclosures)
Kent Huett

Jim

State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
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James W. Carter
Division Director

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March 8, 1994

Denise A. Dragoo, Esq.
Fabian & Clendenin
215 South State Street
P.O. Box 510210
Salt Lake City, Utah 84151

Re: Our Meeting of March 8, 1994 Regarding Escrow Instructions and Partial Reconveyance

Dear Denise:

Thank you for coming to my client's office today to discuss questions surrounding the Partial Reconveyance and Escrow Instructions contained in your letter of February 28, 1994. We discussed the possibility of some confusion arising from the legal description, as contained in your February 28th document, which we both agree could be remedied by replacing that Exhibit with the relevant sections of the Exhibit attached to the Deed of Trust dated March 9, 1989.

We then discussed Exhibit "B", which is made a part of Exhibit "A" as originally transmitted to this office for review. Specifically, the Partial Reconveyance should refer to Exhibit "B" as the disturbed area subject to the reclamation liability under your client's permit, which is specifically not subject to the Deed of Trust, and which is not transferrable so long as the reclamation obligation remains.

Finally, with regard to the Partial Reconveyance, there should be additional language to the effect that the Request for Partial Reconveyance of property subject to the final Exhibit "A" does not in any way release the permittee from the full reclamation obligation for the disturbed lands.

Concerning the Escrow Instructions, we have discussed modifying paragraph four at the top of page 2 of the Escrow Instructions dated February 28, 1994, to specifically require that the escrow agent agrees to not release the Deed of

Reconveyance to SCC until both the net proceeds from the purchase price have been deposited and the Letter of Credit has been issued.

Paragraph 3 at the top of page 2 under Conditions for Disbursement of Funds, will be modified to refer to a form attached as an Exhibit to the Escrow Instructions. It is my understanding that you will prepare a Letter of Credit in the same format as that approved for the previous Escrow Agreement, concerning the $480,000 Letter of Credit for the escrowed water rights reflecting the pertinent information relevant to this transaction.

Finally, the closing documentation should reflect the existence of the tax lien held by the county on the property and demonstrate that the $600,000 to be placed into escrow is free and clear of any claims by the county to the proceeds from the sale of the subject lands.

I look forward to receiving the final documentation for review so that my client may finalize this matter no latter than the end of the day Thursday of this week to accommodate your closing schedule for the following Friday.

I am not at this time aware of any obstacles on the part of OSM, other than as those concerns may be reflected in the matters we have agreed to above. However, I am also not in a position to represent OSM's intentions concerning this transaction. Please call me with any questions or concerns regarding any of the above.

Very truly yours,

Thomas A. Mitchell
Assistant Attorney General

lsj
TAM94011.LTR