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**RECEIVED**

FEB U / 1994

**DIVISION OF  
OIL GAS & MINING**

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**VIA FACSIMILE**

February 7, 1994

**CONFIRMATION OF TELECOPY**

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

RE: Notice of Transfer -- Kilter, Inc.

Dear Director Carter:

On behalf of Sunnyside Coal Company ("SCC"), Bob Burnham, Kent Huett and I appreciated the opportunity to meet with you and Lowell Braxton regarding the pending sale of SCC's undisturbed lands and water rights to Kilter, Inc. ("Kilter"). This sale would not affect the Sunnyside Mine or Permit No. ACT/007/007. As we have discussed, Kilter is proposing to purchase properties encumbered by the Utah Division of Oil, Gas & Mining's ("Division's") Deed of Trust and Security Agreement dated March 9, 1989 ("Deed of Trust").

In consideration for the proposed sale, Kilter will execute a promissory note in favor of SCC and take the real property subject to the Deed of Trust. Kilter will seek to liquidate the real property assets to fund a reclamation bond for the Sunnyside Mine and Kilter would contract to obtain SCC's performance of reclamation obligations. The reclamation obligation itself will remain with SCC. The Division will retain its first position under the Deed of Trust. Due to the fact that the Mine, the permit and the reclamation obligations all remain in SCC, it does not appear that the transfer of undisturbed property triggers an assignment, sale or transfer under Utah Admin. R. 645-303, et seq.

James M. Carter  
February 7, 1994  
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Enclosed is a proposed form of notice of transfer for this proposed transaction. Please review this form and contact me once you have had an opportunity to review this matter.

Very truly yours,



Denise A. Dragoo

DAD:jmc:28510

Enclosure

cc: Lowell Braxton  
Robert M. Burnham  
Thomas A. Mitchell, Esq.  
Kent Huett

**NOTICE OF TRANSFER**

WHEREAS, by Reclamation Contract dated as of March 3, 1989, Sunnyside Reclamation & Salvage, Inc. ("Sunnyside") and the State of Utah, Department of Natural Resources, Division of Oil Gas & Mining (the "Division"), Sunnyside agreed to perform certain reclamation obligations (the "Reclamation Obligations");

WHEREAS, by Deed of Trust and Security Agreement dated March 9, 1989 and recorded March 10, 1989, in Book 287, at Pages 96-155, in the office of the Recorder of Carbon County, Utah (the "Deed of Trust"), Sunnyside pledged certain real property (the "Property") as security for performance of the Reclamation Obligations;

WHEREAS, Sunnyside Coal Company ("SCC") is the successor in interest to Sunnyside; and

WHEREAS, SCC has agreed to sell the Property to Kilter, Inc. ("Kilter") pursuant to that certain Purchase and Sale Agreement dated February \_\_\_\_, 1994.

NOW, THEREFORE, SCC hereby gives notice to the Division of the transfer of the Property from SCC to Kilter, subject to the Deed of Trust.

DATED this \_\_\_\_ day of \_\_\_\_\_, 1994.

KILTER, INC.

BY: \_\_\_\_\_

ITS: \_\_\_\_\_