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

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August 3, 1994

Robert M. Burnham, President
BXG Inc., The Registry
1113 Spruce Street, Suite 301
Boulder, Colorado 80302

Re: Division Order #94B, Sunnyside Coal Company, Sunnyside Mine,
ACT/007/007, Folder #3, Carbon County, Utah

Dear Bob:

I am writing in response to your letter of July 21st and Denise's letter to me of August 1st, both concerning Division Order #94B. As we had earlier discussed, we both believed that it would be productive to conduct an on-site meeting, now scheduled for August 11, 1994, to discuss the specifics of the Division Order and establish a schedule for compliance with the requirements of the Division Order. Given the recent turns of events in the bankruptcy proceedings, and our telephone conversation of last Friday, it is important to clarify the Division's objectives and the possible benefit of an on-site meeting.

The Division Order points out a number of deficiencies in the existing reclamation plan. One, for example, is the incomplete delineation of all disturbed areas within the permit area. The Division believes that an on-site discussion may be the best vehicle for reaching a mutual understanding of the extent and location of all disturbed areas, but for such a meeting to be productive, Sunnyside would need to be prepared to commit to submitting maps showing those areas within disturbed area boundaries within a short period of time following the meeting, perhaps 30-45 days.

Likewise, a discussion of roads, railroad spurs and structures which are planned to be retained for post-mining land uses might best be conducted on site. Again, in order for an on-site visit to be productive, Sunnyside would need to be prepared to submit a plan amendment, either providing for removal of additional roads and structures or, in the alternative, providing programmatic justification for their retention. Sunnyside would need to be able to submit such a program



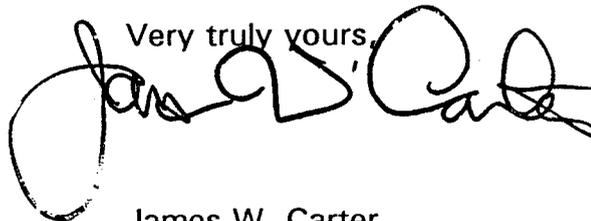
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Robert M. Burnham
ACT/007/007
August 3, 1994

amendment within a relatively short period of time to make the on-site meeting worthwhile.

In short, a conversation about a schedule for compliance with the Division Order will not be productive unless Sunnyside is prepared to commit to actual performance. While I am sensitive to the fact that Sunnyside's resources are scarce, nothing will be gained for either the Division or Sunnyside by postponing the inevitable.

I would be pleased to confirm with you an on-site meeting for August 11th and would bring with me key Division staff if Sunnyside can commit to a firm schedule for performance of the requirements of the Division Order as a product of that meeting. I will be out of the office until Monday, August 8th, but you may contact Lowell Braxton with regard to the August 11th meeting in my absence. Please let me know how you wish to proceed.

Very truly yours,

A handwritten signature in black ink, appearing to read "James W. Carter". The signature is fluid and cursive, with a large initial "J" and "C".

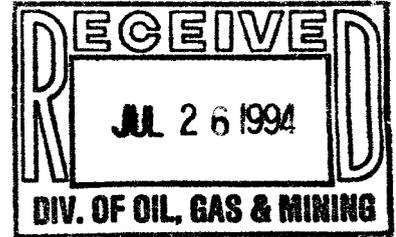
James W. Carter
Director

jbe
cc: L. Braxton
H:SUNNDO94.LTR

SUNNYSIDE COAL COMPANY

Debtor in Possession

1113 Spruce Street
Boulder, Colorado 80302
(303) 938-1506
Facsimile: (303) 938-5005



*Orig To mine file
cc JWC P&T
JWB*
July 21, 1994 *B
7-26-94*

Mr. James C. Carter
Director
Utah Division of Oil, Gas and Minerals
State of Utah Natural Resources
355 W. North Temple, Suite 350
Salt Lake City, UT 84180-1203

Fax: (801) 359-3940

Re: D.O. #94B, Sunnyside Coal Company, Sunnyside Mine,
ACT/007/007, Folder #3, Carbon County, Utah

Dear Jim:

Thank you for the meeting with us on July 14, 1994 to discuss the subject Division Order ("D.O."). While I believe that the issuance of a D.O. was an over reaction, I recognize and share your objective of assuring the reclamation of the Sunnyside mine. I am also glad to know that you share our desire that funds spent at the Sunnyside mine go to actual reclamation instead of legal and administrative costs.

I want to confirm that an acceptable response to the D.O. is our submission of a schedule for meetings to resolve the issues addressed. I understand that the issues will be resolved based on the Division's review of available data and on-site inspection of the related areas. I further understand that reclamation will proceed a "design/build" basis. Work will be performed based on site inspections to minimize the need for costly and time consuming engineering studies. I agree with this approach and believe it will maximize the results of our efforts.

If this does not agree with your understanding of or discussions please advise me as soon as possible. If we are in agreement on this, I will begin preparing a proposed schedule and collecting the necessary maps and other data.

Mr. James C. Carter
July 21, 1994
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As I stated at our meeting, we request that these meetings be held at the Sunnyside mine where most of the data is located. In addition site inspections of the mine may be included in the process.

If you have any questions please feel free to call me.

Sincerely,



Robert M. Burnham
President

cc: J. Semborski
Mike Elder

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