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

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June 21, 1994

Thomas E. Ehmett, Acting Director
Office of Surface Mining
Reclamation and Enforcement
505 Marquette N.W., Suite 1200
Albuquerque, New Mexico 87102

Re: Sunnyside Coal Company Sale of Water Rights, ACT/007/007, Folder #3,
Carbon County, Utah

Dear Tom:

I am enclosing here a package of documents prepared by Denise Dragoo, counsel for Sunnyside Coal Company, relating to the sale of a second substantial water right by Sunnyside. As you will recall, we currently have in escrow a sale of the mine water right to Sunnyside Cogeneration Associates for \$600,000.

This water right sale effects the Grassy Trail Creek water right, a right to effluent from the Sunnyside Water Treatment Plant, and a small piece of real estate for the total purchase price of \$1,350,000. Prior to his departure, Bob Hagen had agreed to release the security interest of OSM in exchange for a Letter of Credit in the amount of \$1,080,000. As he and I discussed, we would much rather have a one million dollar Letter of Credit than a Deed of Trust, particularly under the present circumstances.

The Escrow Agreement contemplates a simultaneous closing in which a deed to the water rights is deposited by Sunnyside Coal Company, a release of our security interest in the real estate in the form of a Partial Reconveyance is placed in escrow at the direction of OSM and DOGM, and Zions Bank issues a letter of credit in the amount of \$1,080,000 at closing. Tom Mitchell advises me that Deanne Owen had reviewed the previous document set, and also advises me that this document set is identical to the first except for the following change:



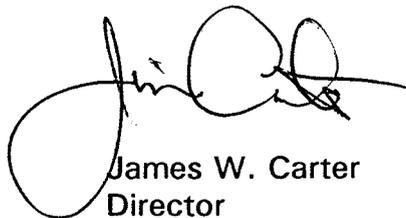
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Thomas E. Ehmett
ACT/007/007
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Paragraph 1 of the original Escrow Agreement provided that the lesser of the net proceeds of the purchase price, or the remaining reclamation liability, would be placed in escrow resulting in the issuance of a Letter of Credit in that amount. This agreement sets the amount at \$1,080,000, and is therefore preferable.

I have executed the Escrow Agreement in duplicate original and forward them for your execution on behalf of OSM. The sample Letter of Credit, Exhibit A - Sight Draft, and Exhibit B to the Letter of Credit need not be executed at this time. I am also enclosing a Request for Partial Reconveyance for your signature. Assuming this transaction meets with your approval, please sign both Escrow Agreements and the Request for Partial Reconveyance and return them to me. I will sign a Request for Partial Reconveyance on behalf of the state of Utah, and direct both requests to Southeastern Utah Title Company. They will issue a Partial Reconveyance and deliver it into escrow. I will obtain the signatures of the other parties on one of the original Escrow Agreements and return it to you for your files.

If you have any questions with regard to this transaction, please give me a call. Perhaps this can be one of our items of discussion when we meet in Denver on the 29th.

Very truly yours,



James W. Carter
Director

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Enclosures
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