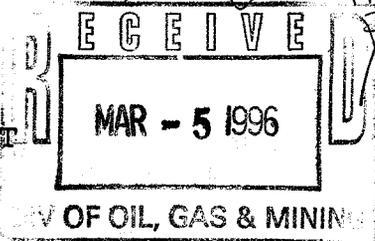


ACT/007H007 #2

Orig. file
cc: IWD
3-5-96 UB TAM
POH
PB



IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO

In re:
SUNNYSIDE COAL COMPANY,
Debtor.

CASE NO. 94-12794 CEM
Chapter 7

**ADDENDUM AND ADDITIONAL DISCLOSURE RESPECTING
MOTION TO SELL PROPERTY OF THE ESTATE**

Kenneth A. Rushton, chapter 7 trustee of the Sunnyside Coal Company, makes the following disclosures respecting water rights of the estate being auctioned as part of the property sale on March 12, 1996.

1. The Trustee has previously filed with the Court and served on parties in interest a Motion for sale of certain property of the estate constituting approximately 26,000 acres of land, mineral rights and attendant water rights. The Trustee, in connection with the proposed sale of such property, has also filed certain bidding procedures which he intends to follow with respect to an auction of such property.

2. The legal description of the property to be sold inadvertently includes reference to Water Right 9-231. This water right is not being sold as part of the sale of property of the estate. The Debtor's estate has previously entered into an agreement to sell this water right to Sunnyside Cogeneration. Thus, this water right is not included in the property to be sold.

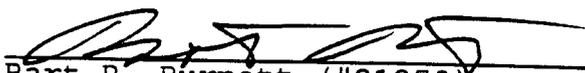
3. Furthermore, parties should take notice of the objection filed by the Cities of Sunnyside and East Carbon, Utah. Pursuant to that objection, such cities have asserted an ownership interest in all of the water rights held by Sunnyside Coal Company (See exhibit attached hereto). The Trustee intends to stipulate with such Cities that section 363(f) does not affect any ownership interest which the Cities might assert in the water rights.

4. Parties in interest may speak with counsel for the Trustee or counsel for the Cities of Sunnyside, R.L. Knuth, (801 363-4300) for further information respecting this stipulation.

DATED this 29th day of February, 1996.

LeBOEUF, LAMB, GREENE & MacRAE
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Counsel for Kenneth A. Rushton,
Chapter 7 Trustee

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO

In re:)
)
SUNNYSIDE COAL COMPANY,) Case No. 94 12794 CEM
I.D. No. 84-1102281) Chapter 7
)
Debtor.)

**CITIES OF EAST CARBON AND SUNNYSIDE'S CONDITIONAL OBJECTION TO
TRUSTEE'S MOTION FOR APPROVAL TO SELL ASSETS FREE AND CLEAR
OF LIENS, INTEREST, ENCUMBRANCES AND CLAIMS**

The Cities of East Carbon and Sunnyside, Utah municipal corporations (the "Cities") file this Conditional Objection to the Trustee's Motion for Approval to Sell Assets Free and Clear of Liens, Interest, Encumbrances and Claims (the "Trustee's Motion"), in order to be certain that the Order entered on the Trustee's Motion expressly provides that the sale will not impair the Cities' rights concerning ownership and use of certain water rights in Grassy Trail Creek and ownership and use of associated easements and diversion works

1. The Chapter 7 Trustee, Kenneth A. Rushton, has filed a motion to sell certain assets of the bankruptcy estate free and clear of all liens, interests, encumbrances, and claims, including land, mineral rights, and water rights of the bankruptcy estate in Emery and Carbon Counties, Utah. The Motion states that the Trustee

seeks to sell the Property free and clear of all liens, encumbrances, or mortgage-type interests in the Property. Debtor does not seek to sell the Property free and clear of any ownership type interest in the Property including deeded grants, easements, patents, rights-of-way, and the like.

(Motion, p. 4)

2. The Cities are entitled to use of Grassy Trail Creek surface water to the extent necessary for domestic use, by virtue of a Memorandum Agreement signed September 17, 1951, by Geneva Steel Company and Kaiser Steel Corporation and recorded April 10, 1954 in Book 26, pgs 56-81, Entry No. 69805, of the records of the Recorder of Carbon County, Utah.

3. Counsel for the Cities and the Trustee have discussed this matter and the Cities believe that the Trustee agrees that the Cities' water rights and ownership interests in the reservoir and associated diversion works cannot be affected by the sale for which Bankruptcy Court approval is sought in the Trustee's Motion. Accordingly, this Conditional Objection is filed to provide the Cities with the opportunity to participate in review of the proposed form of order approving the

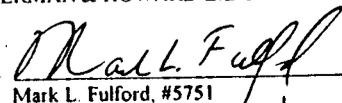
anticipated sale, and to insure that that Order specifically provides that any sale of the debtor's water rights in Grassy Trail Creek, including storage rights in Grassy Trail Creek Reservoir are subject to, and expressly reserves and protects, the Cities' rights. If, on the other hand, the Trustee should assert that he can sell the subject property free and clear of the Cities' water rights, then the Cities' objection would not be conditional but absolute, and the Cities would, in that case request a hearing to pursue their objection.

WHEREFORE, the Cities of East Carbon and Sunnyside file this Conditional Objection to the Trustee's Motion for Approval to Sell Assets Free and Clear of Liens, Interest, Encumbrances, and Claims, and requests the Court to deny the Trustee's Motion unless the Trustee consents to entry of an order including specific and express language protecting and preserving the water rights of the Cities, and granting such other and further relief as may be appropriate.

Dated this 16th day of February, 1996

Respectfully submitted,

SHERMAN & HOWARD L L C

By 
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PARSONS, DAVIES, KINGHORN &
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