



State of Utah

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL, GAS AND MINING

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Michael O. Leavitt
Governor

Ted Stewart
Executive Director

James W. Carter
Division Director

October 9, 1996

Robert Mori, President
American Reclamation & Dismantling
P. O. Box 5848
Stateline, Nevada 89449

Re: Sunnyside Coal Mine, ACT/007/007, Carbon County, Utah

Dear Mr. Mori:

I am writing in response to the September 6, 1996 letter concerning the above matter which you sent on behalf of American Reclamation & Dismantling ("ARD") and its affiliate, Western Associates, LLC ("WA") to James W. Carter, Director of the State of Utah's Division of Oil, Gas and Mining (the "Division"). For convenience, in this letter I will refer to ARD and WA collectively as ARD.

The Division understands that ARD may be interested, if all price and non-price terms can satisfactorily be negotiated, in buying from the Trustee of the Sunnyside Coal Company Chapter 7 bankruptcy estate (the "Trustee" and the "Estate", respectively) certain lands at the old Sunnyside Coal Mine which have not already been sold by the Trustee to others. For convenience, in this letter I will refer to the Estate's still-unsold lands which have been disturbed by post-SMCRA coal mining as the "Footprint Property."

Your letter of September 6 does not spell out all of the price and non-price terms of your proposal to acquire the Footprint Property from the Trustee, so this response, like your letter, is necessarily general in scope. That said, it appears to the Division that your proposal, in general terms, contemplates that ARD hopes to not only buy the Footprint Property, but also to be the successful bidder on a contract with the Trustee and/or the Division to undertake upwards of \$1.8 million in reclamation work. It further appears that your proposal contemplates using upwards of \$1.8 million of cash collateral held by the Trustee in which the Division asserts a lien.

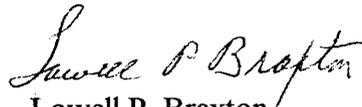


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Subject to securing the necessary cash collateral funds from the Trustee, the Division expects to spend that money on prioritized reclamation projects on the Footprint Property. To the extent that the Division will engage the services of others to do that reclamation, the Division will need to comply with its usual procurement procedures. Therefore, the Division cannot preempt its normal contract procedures by expressing a pre-conceived willingness to retain ARD to do the Sunnyside reclamation work. Thus, even if ARD were to be the successful buyer of the Footprint Property, ARD should not presume that it would be hired by the Division as the reclamation contractor.

The balance of your letter generally discusses particular proposed reclamation projects and/or alternative post-mining land uses on the Footprint Property. In light of the foregoing considerations, it would be inappropriate at this stage for the Division to respond to the other aspects of your letter.

Sincerely,


Lowell P. Braxton
Deputy Director

vb
cc: Penrod W. Keith, Esq. (counsel to Trustee Rushton)
J. Carter
P. O'Hara
M. Wright

SUN-MORI-LTR