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Act/007/011


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

Michael O. Leavitt, Governor
Ted Stewart, Executive Director
James W. Carter, Division Director

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May 6, 1993

Mr. Robert H. Hagen, Director
Albuquerque Field Office
Office of Surface Mining
Reclamation and Enforcement
Suite 1200
505 Marquette Avenue N. W.
Albuquerque, New Mexico 87102

Dear Mr. Hagen:

Re: Self-Bonding Information and Reply

On April 30, 1993 the Division received your request for information on any permits or bonds that may be affected by recent changes in accounting procedures that are used to determine a permittee's self-bonding status. You indicated that pursuant to Financial Accounting Standard Board (FASB) Statement N. 106, Employers Accounting for Post-Retirement Benefits Other Than Pensions, the way a company reports it's ratio of assets to liabilities may be significantly altered.

At the present time the Division has only one coal mining operation under self-bond. U. S. Fuel Company's Hiawatha Mine is bonded in the amount of $3,779,000 of which $1,450,000 is a surety bond and the remaining $2,329,000 is a self bond. No other self-bonds are held.

A review of U. S. Fuel's 1991 financial statement shows that post-retirement benefit liabilities were accounted for. This being the case no changes are anticipated as a result of the FASB statement. Excerpts from the financial report are enclosed for your information.

Please call if you have questions.

Very truly yours,

James W. Carter
Director

Enclosure
cc: L. Braxton
D. Haddock
P. Grubaugh-Littig
SELFBOND.LET

UNITED STATES FUEL COMPANY
(A wholly owned subsidiary of Arava Natural Resources Company, Inc.)

CONSOLIDATED BALANCE SHEET
(In thousands except share data)

December 28, 1991

## ASSETS

| | |
|---|---|
| Current assets: | |
| Cash and cash equivalents | $ 343 |
| Accounts receivable | 628 |
| Inventories (Note 3) | 1,417 |
| Prepaid expenses | 41 |
| Total current assets | 2,429 |
| Properties, net (Note 4) | 13,297 |
| Due from affiliates | 1,926 |
| Advances to customer (Note 5) | 1,440 |
| Restricted investment (Note 1) | 80 |
| Total assets | $19,172 |

## LIABILITIES AND SHAREHOLDER'S EQUITY

| | |
|---|---|
| Current liabilities: | |
| Accounts payable | $ 140 |
| Accrued wages and other employee costs | 174 |
| Postretirement benefit liability - current (Note 6) | 400 |
| Accrued reclamation liability - current (Note 8) | 500 |
| Other accrued liabilities | 409 |
| Total current liabilities | 1,623 |
| Postretirement benefit liability (Note 6) | 1,941 |
| Accrued reclamation liability (Note 8) | 2,000 |
| Deferred taxes due to Mueller Industries, Inc. (Note 10) | 300 |
| Other noncurrent liabilities | 132 |
| Total liabilities | 5,996 |
| Shareholder's equity: | |
| Preferred stock - shares authorized 3,000,000; none outstanding | — |
| Common stock - $10 par value; 700,000 shares authorized and 640,000 shares issued and outstanding | 6,400 |
| Additional paid-in capital, common | 2,927 |
| Retained earnings | 3,849 |
| Total shareholder's equity | 13,176 |
| Total liabilities and shareholder's equity | $19,172 |

See accountant's review report and the accompanying notes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 28, 1991

5. Advances to customer

Advances were made prior to 1989 in connection with the sale of coal properties to one of the Company's significant customers. The Company continues to sell coal to the customer under a long-term sales contract and anticipates repayment of such advances as the customer begins to mine such properties or, in the event the property is not mined, a cash repayment.

6. Retirement benefits

The Company's collective bargaining agreement with UMWA requires the Company to contribute, for active employees, to multi-employer pension and postretirement health and life insurance benefit plans based on the number of hours worked. Current year contributions to such plans totaled $302,002.

Pension benefits for retirees are funded entirely by the union plan while postretirement health and life insurance benefits are accrued by the Company until such time as the Company withdraws from the union plan. As described in Note 2, management has significantly reduced its mining activity and, as a result, a significant number of union employees were laid off during the year. Management anticipates the Company will continue mining with union employees and withdraw from the union benefit plans at an undetermined date in the future.

At December 31, 1990, the Company had accrued $6,023,000 for postretirement health and life insurance benefits based on actuarially computed present values assuming historical production levels. Since the Company expects to withdraw from the union plan, the accrual was reduced to $2,341,000 and the Company recognized a gain of $3,682,000 resulting from this reduction. The remaining liability provides for the estimated costs to be paid upon withdrawal from the union plan. The accrual also includes benefits for retired union employees until withdrawal from the union plan of approximately $400,000.