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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

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340
801-359-3940 (Fax)
801-538-5319 (TDD)

October 27, 1995

TO: Tom Mitchell, Assistant Attorney General

THRU: James W. Carter, Director
Lowell P. Braxton, Associate Director, Mining

FROM: Pamela Grubaugh-Littig, Permit Supervisor *pgl*

RE: Review of Corporate Guarantee, Hiawatha Mine, U.S. Fuel Company, ACT/007/011, Folder #4, Carbon County, Utah

I am enclosing the information relative to the proposed "Corporate Guarantee" by Mueller Industries, Inc. for the Hiawatha Mine. I have also enclosed the appropriate self bonding rules, definition of parent corporation, applicability of U.C.A. 40-10-4 [Applicability of Chapter 8 of Title 40 in the Utah Coal Regulatory Program], and information from the approved plan relative to U.S. Fuel Company and Mueller Industries, Inc. Updated and correct information for U.S. Fuel Company, Arava Natural Resources Company, Inc. and Mueller Industries, Inc. is currently in the Applicant Violator System (AVS).

U.S. Fuel gave the Division this proposal on October 20, 1995 at which time you had previously reviewed a similar draft and gave a negative response to the Director. Your timely review of this proposal from a legal perspective in light of the rules which allow a parent corporation to self bond in the Utah Coal Regulatory Program is appreciated.

If you have any questions, please call me. Thank you.



DRAFT

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
3 Triad Center, Suite 350
355 West North Temple
Salt Lake City, Utah 84180-1204
(801)538-5340

GUARANTEE

United States Fuel Company ("U.S. Fuel"), a wholly owned subsidiary of Mueller Industries, Inc. ("Mueller"), a Delaware corporation, holds Permit No. ACT/007/011 from the Division of Oil, Gas and Mining (hereinafter referred to as "DOGM") to operate the Hiawatha Mine Complex ("Mine") in Carbon and Emery Counties, Utah under the Mined Land Reclamation Act, Utah Code Ann. § 40-8-1, *et seq.*, 1953, as amended, ("Act") and implementing rules.

U.S. Fuel posted partial surety for reclamation in the form of Self Bonding and Indemnity Agreement dated October 29, 1986, which was adjusted by reduction from \$2,329,000 to \$1,388,000 by joint DOGM/U.S. Fuel Stipulation to Change Bond Amount dated March 20, 1995.

Although U.S. Fuel ceased mining operations at the Mine several years ago and has continued with reclamation thereafter without interruption, DOGM has requested U.S. Fuel to provide additional security for its self-bonding obligation.

NOW THEREFORE, for and in consideration of the continuance of the described Self Bonding and Indemnity Agreement dated October 29, 1986, Mueller hereby unconditionally and irrevocably guarantees to the Board of Oil, Gas and Mining, its successors and assigns, the full, prompt and faithful payment, performance and discharge by U.S. Fuel of each of the covenants and obligations set forth in the described Self Bonding and Indemnity Agreement, Permit No. ACT/007/001, the Reclamation Plan and in any other related written instrument executed by U.S. Fuel to carry out the provisions of the Self Bonding and Indemnity Agreement.

Mueller hereby represents:

(a) Mueller has been in continuous operation as a business entity for the last five (5) years;

(b) Mueller meets financial criteria for self bonding (as shown in the attached Self Bonding Qualification Sheet);

(c) Mueller has submitted to DOGM financial statements in the form of (i) 1994 Annual Report containing an audit opinion prepared by Ernst & Young, LLP, certified public accountants, for the fiscal year ending December 31, 1994, (ii) Mueller's unaudited financial statements for completed quarters in the current fiscal year and (iii) other annual reports for 1990, 1991, 1992 and 1993; and

(d) That if U.S. Fuel fails to complete the reclamation required under its Reclamation Plan, Mueller will do so or provide funds to DOGM sufficient to complete the Reclamation Plan not exceeding the adjusted self bond amount.

This guarantee shall continue in full force and effect, subject to all terms of the Self Bonding and Indemnity Agreement, until DOGM and the Board of Oil, Gas and Mining shall have approved and accepted in writing a replacement reclamation bond and/or U.S. Fuel is released from all obligations under the described Self Bonding and Indemnity Agreement.

MUELLER INDUSTRIES, INC.

By: _____

STATE OF _____)
)ss.
COUNTY OF _____)

On the _____ day of _____, 1995, personally appeared before me _____, who being by me duly sworn did say that he/she, the said _____ of Mueller Industries, Inc. and said instrument was signed in behalf of said corporation by authority of its bylaws or a resolution of its board of directors and said _____ duly acknowledged to me that said corporation executed the same.

NOTARY PUBLIC
My Commission Expires: _____

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Copy Jim and Lowell

October 25, 1995 *ad RT/007/011*

#4

TO: Pam Grubaugh-Littig, Coal Permit Coordinator
FROM: Steve Schneider, O&G Audit Manager *Steve*
RE: Review of Mueller Industries Financial Statements

Pursuant to your request, I have reviewed the financial statements submitted by Mueller Industries. As shown on the attachment, Mueller Industries meets the financial criteria for self-bonding as described in Rule R645-301-800.320 for the period 1990 through September 1995.

If you have any questions regarding this information, please let me know.

Attachment
cc: R. J. Firth



MUELLER INDUSTRIES, INC.

COAL
(August 1985)

Mine Name United States Fuel Company
 Permit No. Hiawatha Complex
 Date ACT 007/001
 Checked By October 20, 1995

SELF BONDING QUALIFICATION SHEET

Applicant Required to Meet One of the Following Criteria:

UMC 800.23(b)(3)

1. Current rating for most recent bond issuance ("A" or higher) (Moody's Investor Service or Standard and Poor's Corporation)

or

2.

A. Tangible Net Worth = (at least \$10 million) (Net worth minus intangibles [Goodwill and rights to patents or royalties])

	12/31/94	9/30/95
A.	241,948,000	273,502,000
B.	.78	.68
C.	2.73	2.54
3. A.		

B. Total Liabilities/Net Worth = Obligations to transfer to other assets or provide services to other entities/Total assets minus total liabilities and is equivalent to owner's equity (2.5 times or less).

C. Current Assets/Current Liabilities = Cash or other assets or resources which are reasonably expected to be converted to cash or sold or consumed within one year/Obligations which are reasonably expected to be paid or liquidated within one year (1.2 times or greater).

Reference: Ernst & Young Audit as of

or

3.

December 31, 1994 and
Mueller Condensed Consolidated
Balance Sheets (unaudited) as of
September 30, 1995

A. Fixed assets in the United States (at least \$20 million) =

B. Total Liabilities/Net Worth =
(2.5 times or less)

Current Assets/Current
Liabilities (1.2 times or
greater) =

Reference: _____

UMC 800.23(b)(1)

Suitable agent (resident within the state of Utah)

UMC 800.23(b)(2)

Been in continuous operation of not less than five (5) years
(immediately preceding the time of application) (submitted five
annual reports--Yes No)

UMC 800.23(b)(4)

(i) Financial statements prepared by an independent certified
public accountant in conformity with generally accepted accounting
principles. Yes No

(ii) Unaudited financial statements for completed quarters in
the current fiscal year. Yes No

(iii) Additional unaudited information as requested by the
Division.



FOR IMMEDIATE RELEASE
October 18, 1995

Contact: Kent A. McKee
(316) 636-6300

**MUELLER INDUSTRIES, INC. ANNOUNCES
36 PERCENT INCREASE IN THIRD QUARTER EARNINGS**

Wichita, KS - Mueller Industries, Inc. (NYSE: MLI) today reported net income for the quarter ended September 30, 1995 of \$11.6 million or 60 cents per share, on 19,263,000 weighted average shares outstanding. This compared with net income for the third quarter of 1994 of \$8.5 million, or 45 cents per share on 18,997,000 weighted average shares outstanding. Net sales for the third quarter of 1995 were \$171.5 million compared with net sales of \$138.0 million for the same quarter of 1994. Earnings per share and weighted average shares outstanding have been adjusted in all periods presented for the Company's two-for-one stock split that was effected in September, 1995.

For the first nine months of 1995, net income was \$32.3 million, or \$1.69 per share, on net sales of \$524.7 million, which compares with net income of \$18.5 million, or 92 cents per share on net sales of \$395.4 million for the same period of 1994.

Harvey L. Karp, Chairman, stated, "We are pleased to report that the copper tube modernization project and our new high-volume copper fittings plant should be substantially completed by year-end. Additionally, the indirect extrusion press project at our Port Huron rod mill should be completed by early 1996. We expect to achieve substantial benefits from these capital programs in the years ahead."

Mueller Industries, Inc. is a leading and diversified fabricator whose products include copper tube and fittings; brass and copper alloy rods, bars and shapes; brass and bronze forgings; aluminum and copper impact extrusions; plastic fittings and valves; and refrigeration valves, driers and flare fittings. The Company also owns a short line railroad in Utah, a placer gold mining operation in Alaska, and other natural resource properties.

MUELLER INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	For the Quarter Ended		For the Nine-Months Ended	
	September 30, 1995	September 24, 1994	September 30, 1995	September 24, 1994
	(Unaudited)		(Unaudited)	
Net sales	\$ 171,549	\$ 137,975	\$ 524,699	\$ 395,363
Cost of goods sold	137,410	113,253	427,557	325,483
Depreciation and amortization	4,098	3,227	11,507	9,102
Selling, general, and administrative expense	13,011	10,497	38,387	32,411
Operating income	17,030	10,998	47,248	28,367
Interest expense	(820)	(1,988)	(3,331)	(5,300)
Environmental reserves	(955)	-	(955)	(412)
Unusual items	-	-	-	(1,406)
Other income, net	1,736	3,023	4,311	6,566
Income before taxes	16,991	12,033	47,273	27,815
Income tax expense	(5,386)	(3,515)	(14,955)	(9,337)
Net income	<u>\$ 11,605</u>	<u>\$ 8,518</u>	<u>\$ 32,318</u>	<u>\$ 18,478</u>
Net income per share:				
Primary:				
Average shares outstanding	<u>19,263,000</u>	<u>18,997,000</u>	<u>19,115,000</u>	<u>20,071,000</u>
Net income	<u>\$ 0.60</u>	<u>\$ 0.45</u>	<u>\$ 1.69</u>	<u>\$ 0.92</u>
Fully diluted:				
Average shares outstanding	<u>19,263,000</u>	<u>19,029,000</u>	<u>19,256,000</u>	<u>20,077,000</u>
Net income	<u>\$ 0.60</u>	<u>\$ 0.45</u>	<u>\$ 1.68</u>	<u>\$ 0.92</u>

MUELLER INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	September 30, 1995	(Unaudited)	December 31, 1994
ASSETS			
Cash and cash equivalents	\$ 31,176		\$ 34,492
Accounts receivable, net	96,229		66,925
Inventories	69,734		74,368
Other current assets	<u>9,193</u>		<u>7,766</u>
Total current assets	206,332		183,551
Property, plant and equipment, net	220,315		196,772
Other assets	<u>33,372</u>		<u>50,432</u>
	<u>\$ 460,019</u>		<u>\$ 430,755</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current portion of long-term debt	\$ 17,721		\$ 18,611
Accounts payable	23,446		21,607
Other current liabilities	<u>40,047</u>		<u>27,003</u>
Total current liabilities	81,214		67,221
Long-term debt	62,727		76,125
Other noncurrent liabilities	<u>42,576</u>		<u>45,461</u>
Total liabilities	186,517		188,807
Stockholders' equity	<u>273,502</u>		<u>241,948</u>
	<u>\$ 460,019</u>		<u>\$ 430,755</u>
Book value per share	<u>\$ 15.78</u>		<u>\$ 13.91</u>

CONSOLIDATED BALANCE SHEETS

As of December 31, 1994 and December 25, 1993

(In thousands, except share data)

	1994	1993
ASSETS		
Current assets		
Cash and cash equivalents	\$ 34,492	\$ 77,336
Accounts receivable, less allowance for doubtful accounts of \$3,336 in 1994 and \$3,495 in 1993	66,925	59,197
Inventories	74,368	53,118
Current deferred income taxes	4,491	3,242
Other current assets	3,275	1,518
Total current assets	183,551	194,411
Property, plant and equipment, net	196,772	154,403
Deferred income taxes	23,797	12,751
Other assets	26,635	8,178
TOTAL ASSETS	\$ 430,755	\$ 369,743
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	\$ 18,611	\$ 8,391
Accounts payable	21,607	15,637
Accrued wages and other employee costs	13,105	11,787
Current deferred income taxes	366	446
Other current liabilities	13,532	11,169
Total current liabilities	67,221	47,430
Long-term debt	76,125	54,320
Pension liabilities	9,499	9,336
Postretirement benefits other than pensions	8,946	9,498
Environmental reserves	11,178	10,448
Deferred income taxes	3,016	3,810
Other noncurrent liabilities	12,822	12,787
Total liabilities	188,807	147,629
Stockholders' Equity		
Preferred stock - shares authorized 4,985,000; none outstanding	—	—
Series A junior participating preferred stock - \$1.00 par value; shares authorized 15,000; none outstanding	—	—
Common stock - \$.01 par value; shares authorized 20,000,000; issued 10,000,000; outstanding 8,698,977 in 1994 and 9,583,193 in 1993	100	100
Additional paid-in capital, common	254,251	236,406
Retained earnings (accumulated deficit) since January 1, 1991	21,987	(5,939)
Cumulative translation adjustments	(2,832)	(1,944)
Treasury common stock, at cost	(31,558)	(6,509)
Total stockholders' equity	241,948	222,114
Commitments and contingencies	—	—
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 430,755	\$ 369,743

See accompanying notes to consolidated financial statements.

prevent additional contribution of suspended solids to stream flow or runoff outside the permit area.

"Outslope" means the face of the spoil or embankment sloping downward from the highest elevation to the toe.

"Overburden" means material of any nature, consolidated or unconsolidated, that overlies a coal deposit, excluding topsoil.

"Owned or controlled" and **"owns or controls"** means any one or a combination of the relationships specified in paragraphs (a) and (b) of this definition:

(a)(1) Being a permittee of a coal mining and reclamation operation;

(2) Based on the instrument of ownership or voting securities, owning of record in excess of 50 percent of an entity; or

(3) Having any other relationship which gives one person authority directly or indirectly to determine the manner in which an applicant, an operator, or other entity conducts coal mining and reclamation operations.

(b) The following relationships are presumed to constitute ownership or control unless a person can demonstrate that the person subject to the presumption does not in fact have the authority directly or indirectly to determine the manner in which the relevant coal mining and reclamation operation is conducted:

(1) Being an officer or director of an entity;

(2) Being the operator of a coal mining and reclamation operation;

(3) Having the ability to commit the financial or real property assets or working resources of an entity;

(4) Being a general partner in a partnership;

(5) Based on the instruments of ownership or the voting securities of a corporate entity, owning of record 10 through 50 percent of the entity; or

(6) Owning or controlling coal to be mined by another person under a lease, sublease, or other contract and having the right to receive such coal after mining or having authority to determine the manner in which that person or another person conducts coal mining and reclamation operation.

"Parent Corporation" means corporation which owns or controls the applicant.

"Perennial Stream" means a stream or part of a stream that flows continuously during all of the calendar year as a result of groundwater discharge or surface runoff. The term does not include intermittent stream or ephemeral stream.

"Performance Bond" means a surety bond, collateral bond, or self-bond, or a combination thereof, by which a permittee assures faithful performance of all the requirements of the Act, the R645 Rules, the State Program, and the requirements of the permit and reclamation plan.

"Performing Any Function or Duty Under This Act" means those decisions or actions, which if performed or not performed by a board member or employee, affect the State Program under the Act.

"Permanent Diversion" means a diversion remaining after coal mining and reclamation operations are completed which has been approved for

retention by the Division and other appropriate state and federal agencies.

"Permanent Impoundment" means an impoundment which is approved by the Division and, if required, by other state and federal agencies for retention as part of the postmining land use.

"Permit" means a permit to conduct coal mining and reclamation operations issued by the Division pursuant to the State Program. For purposes of the federal lands program, permit means a permit issued by the Division pursuant to the cooperative agreement with the Secretary.

"Permit Area" means the area of land, indicated on the approved map submitted by the operator with his or her application, required to be covered by the operator's performance bond under R645-301-800, and which will include the area of land upon which the operator proposes to conduct coal mining and reclamation operations under the permit, including all disturbed areas, provided that areas adequately bonded under another valid permit may be excluded from the permit area.

"Permit Change" means any coal mining and reclamation operations not previously approved by the Division in the Permit or in any previously-approved permit change under R645-303-220.

"Permittee" means a person holding, or required by the Act or the R645 Rules to hold, a permit to conduct coal mining and reclamation operations issued by the Division pursuant to the State Program or, under the cooperative agreement pursuant to Section 523 of P.L. 95-87, by the Director of the Office and the Division.

"Person" means an individual, Indian tribe when conducting coal mining and reclamation operations on non-Indian lands, partnership, association, society, joint venture, joint-stock company, firm, company, corporation, cooperative or other business organization, and any agency, unit, or instrumentality of federal, state, or local government including any publicly owned utility or publicly owned corporation of federal, state, or local governments.

"Person Having an Interest Which Is or May Be Adversely Affected or Person With a Valid Legal Interest" means any person (a) who uses any resource of economic, recreational, aesthetic, or environmental value that may be adversely affected by coal exploration or coal mining and reclamation operations or any related action of the Division, or the Board, or (b) whose property is or may be adversely affected by coal exploration or coal mining and reclamation operations or any related action of the Division or the Board.

"Precipitation Event" means a quantity of water resulting from drizzle, rain, snow, sleet, or hail in a limited period of time. It may be expressed in terms of recurrence interval. As used in the R645 Rules, precipitation event also includes that quantity of water emanating from snow cover as snowmelt in a limited period of time.

"Previously Mined Area" means land previously mined on which there were no coal mining and reclamation operations subject to the standards of the Federal Act.

"Prime Farmland" means those lands which are defined by the Secretary of Agriculture in 7 CFR 657 (Federal Register Vol. 4 No. 21) and which have historically been used for cropland as that phrase is defined herein.

"Principal Shareholder" means any person who is the record or beneficial owner of ten percent or more of any class of voting stock.

"Prohibited Financial Interest" means any direct or indirect financial interest in any coal mining and reclamation operation.

- 860.231. The applicant will grant the Division a first mortgage, first deed of trust, or perfected first lien security interest in real property with a right to sell or otherwise dispose of the property in the event of forfeiture under state law;
- 860.232. In order for the Division to evaluate the adequacy of the real property offered to satisfy collateral requirements, the applicant will submit a schedule of the real property which will be mortgaged or pledged to secure the obligations under the indemnity agreement. The list will include:
- 860.232.1. A description of the property;
- 860.232.2. The fair market value as determined by an independent appraisal conducted by a certified appraiser approved by the Division; and
- 860.232.3. Proof of possession and title to the real property;
- 860.233. The property may include land which is part of the permit area; however, land pledged as collateral for a bond under this section will not be disturbed under any permit while it is serving as security under this section.
- 860.240. Cash accounts will be subject to the following conditions:
- 860.241. The Division may authorize the operator to supplement the bond through the establishment of a cash account in one or more federally insured or equivalently protected accounts made payable upon demand to, or deposited directly with, the Division. The total bond including the cash account will not be less than the amount required under terms of performance bonds including any adjustments, less amounts released in accordance with R645-301-880;
- 860.242. Any interest paid on a cash account will be retained in the account and applied to the bond value of the account unless the Division has approved the payment of interest to the operator;
- 860.243. Certificates of deposit may be substituted for a cash account with the approval of the Division; and
- 860.244. The Division will not accept an individual cash account in an amount in excess of \$100,000 or the maximum insurable amount as determined by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation.
- 860.250. Bond Value of Collateral.
- 860.251. The estimated bond value of all collateral posted as assurance under this section will be subject to a margin which is the ratio of bond value to market values, as determined by the Division. The margin will reflect legal and liquidation fees, as well as value depreciation, marketability and fluctuations which might affect the net cash available to the Division to complete reclamation.
- 860.252. The bond value of collateral may be evaluated at any time, but it will be evaluated as part of the permit renewal and, if necessary, the performance bond amount increased or decreased. In no case will the bond value of collateral exceed the market value.
- 860.260. Persons with an interest in collateral posted as a bond, and who desire notification of actions pursuant to the bond, will request the notification in writing to the Division at the time collateral is offered.
- 860.300. Self-Bonding.
- 860.310. Definitions. Terms used in self-bonding are defined under R645-100-200.
- 860.320. The Division may accept a self bond from an applicant for a permit if all of the following conditions are met by the applicant or its parent corporation guarantor:
- 860.321. The applicant designates a suitable agent, resident within the state of Utah, to receive service of process;
- 860.322. The applicant has been in continuous operation as a business entity for a period of not less than five years. Continuous operation will mean that business was conducted over a period of five years immediately preceding the time of application:
- 860.322.1. The Division may allow a joint venture or syndicate with less than five years of continuous operation to qualify under this requirement if each member of the joint venture or syndicate has been in continuous operation for at least five years immediately preceding the time of application;
- 860.322.2. When calculating the period of continuous operation, the Division may exclude past periods of interruption to the operation of the business entity that were beyond the applicant's control and that do not affect the applicant's likelihood of remaining in business during the proposed coal mining and reclamation operations;
- 860.323. The applicant submits financial information in sufficient detail to show that the applicant meets one of the following criteria:
- 860.323.1. The applicant has a current rating for its most recent bond issuance of "A" or higher as issued by either Moody's Investor Service or Standard and Poor's Corporation;
- 860.323.2. The applicant has a tangible net worth of at least \$10 million, a ratio of total liabilities to net worth of 2.5 times or less and a ratio of current assets to current liabilities of 1.2 times or greater; or
- 860.323.3. The applicant's fixed assets in the United States total at least \$20 million and the applicant has a ratio of total liabilities to net worth of 2.5 times or less and a ratio of current assets to current liabilities of 1.2 times or greater; and
- 860.324. The applicant submits:
- 860.324.1. Financial statements for the most recently completed fiscal year accompanied by a report prepared by an independent certified public accountant in conformity with generally accepted accounting principles and containing the accountant's audit opinion or review opinion of the financial statements with no adverse opinion;
- 860.324.2. Unaudited financial statements for completed quarters in the current fiscal year;
- 860.324.3. Additional unaudited information as requested by the Division; and

- 860.324.4. Annual reports for the five years immediately preceding the time of application.
- 860.330. The Division may accept a written guarantee for an applicant's self bond from a parent corporation guarantor, if the guarantor meets the conditions of R645-301-860.321 through R645-301-860.324 as if it were the applicant. Such a written guarantee will be referred to as a "corporate guarantee." The terms of the corporate guarantee will provide for the following:
- 860.331. If the applicant fails to complete the reclamation plan, the guarantor will do so or the guarantor will be liable under the indemnity agreement to provide funds to the Division sufficient to complete the reclamation plan, but not to exceed the bond amount;
- 860.332. The corporate guarantee will remain in force unless the guarantor sends notice of cancellation by certified mail to the applicant and to the Division at least 90 days in advance of the cancellation date, and the Division accepts the cancellation; and
- 860.333. The cancellation may be accepted by the Division if the applicant obtains a suitable replacement bond before the cancellation date or if the lands for which the self bond, or portion thereof, was accepted have not been disturbed.
- 860.340. The Division may accept a written guarantee for an applicant's self bond from any corporate guarantor, whenever the applicant meets the conditions of R645-301-860.321, R645-301-860.322, and R645-301-860.324 and the guarantor meets the conditions of R645-301-860.321 through R645-301-860.324 as if it were the applicant. Such a written guarantee will be referred to as a "nonparent corporate guarantee." The terms of this guarantee will provide for compliance with the conditions of R645-301-860.331 through R645-301-860.333. The Division may require the applicant to submit any information specified in R645-301-860.323 in order to determine the financial capabilities of the applicant.
- 860.350. For the Division to accept an applicant's self bond, the total amount of the outstanding and proposed self bonds of the applicant for coal mining and reclamation operations will not exceed 25 percent of the applicant's tangible net worth in the United States. For the Division to accept a corporate guarantee, the total amount of the parent corporation guarantor's present and proposed self bonds and guaranteed self bonds for surface coal mining and reclamation operations will not exceed 25 percent of the guarantor's tangible net worth in the United States. For the Division to accept a nonparent corporate guarantee, the total amount of the nonparent corporate guarantor's present and proposed self bonds and guaranteed self bonds will not exceed 25 percent of the guarantor's tangible net worth in the United States.
- 860.360. If the Division accepts an applicant's self bond, an indemnity agreement will be submitted subject to the following requirements:
- 860.361. The indemnity agreement will be executed by all persons and parties who are to be bound by it, including the parent corporation guarantor, and will bind each jointly and severally;
- 860.362. Corporations applying for a self bond, and parent and nonparent corporations guaranteeing an applicant's self bond shall submit an indemnity agreement signed by two corporate officers who are authorized to bind their corporations. A copy of such authorization shall be provided to the Division along with an affidavit certifying that such an agreement is valid under all applicable federal and Utah laws. In addition, the guarantor shall provide a copy of the corporate authorization demonstrating that the corporation may guarantee the self bond and execute the indemnity agreement.
- 860.363. If the applicant is a partnership, joint venture or syndicate, the agreement will bind each partner or party who has a beneficial interest, directly or indirectly, in the applicant;
- 860.364. Pursuant to R645-301-880.900, the applicant, parent or nonparent corporate guarantor shall be required to complete the approved reclamation plan for the lands in default or to pay to the Division an amount necessary to complete the approved reclamation plan, not to exceed the bond amount.
- 860.365. The indemnity agreement when under forfeiture will operate as a judgment against those parties liable under the indemnity agreement.
- 860.370. The Division may require self-bonded applicants, parent and nonparent corporate guarantors to submit an update of the information required under R645-301-860.323 and R645-301-860.324 within 90 days after the close of each fiscal year following the issuance of the self bond or corporate guarantee.
- 860.380. If at any time during the period when a self bond is posted, the financial conditions of the applicant, parent, or nonparent corporate guarantor change so that the criteria of R645-301-860.323 and R645-301-860.340 are not satisfied, the permittee will notify the Division immediately and will within 90 days post an alternate form of bond in the same amount as the self bond. Should the permittee fail to post an adequate substitute bond, the provisions of R645-301-840.500 will apply.
- 870. Replacement of Bonds.**
- 870.100. The Division may allow a permittee to replace existing bonds with other bonds that provide equivalent coverage.
- 870.200. The Division will not release existing performance bonds until the permittee has submitted, and the Division has approved, acceptable replacement performance bonds. Replacement of a performance bond pursuant to this section will not constitute a release of bond under R645-301-880.100 through R645-301-880.800.
- 880. Requirement to Release Performance Bonds.**
- 880.100. Bond release application.
- 880.110. The permittee may file an application with the Division for the release of all or part of a performance bond. Applications may be filed only at times or during seasons authorized by the Division in order to properly evaluate the completed reclamation operations. The times or seasons appropriate for the evaluation of certain types of reclamation will be identified in the approved mining and reclamation plan.
- 880.120. Within 30 days after an application for bond release has been filed with the Division, the operator will submit a

R645-301-100 GENERAL CONTENTS

R645-301-112 IDENTIFICATION OF INTERESTS

112.100 A STATEMENT AS TO WHETHER THE APPLICANT IS A CORPORATION, PARTNERSHIP, SINGLE PROPRIETORSHIP, ASSOCIATION, OR OTHER BUSINESS ENTITY:

United States Fuel Company is a corporation and is incorporated in the state of Nevada.

112.200 NAMES, ADDRESSES, AND TELEPHONE NUMBERS OF THE APPLICANT, THE OPERATOR (IF DIFFERENT FROM THE APPLICANT) AND THE APPLICANT'S RESIDENT AGENT WHO WILL ACCEPT SERVICE OF PROCESS:

Applicant: United States Fuel Company
P.O. Box 887 Price, Utah 84501
(801)-637-2252

Resident Agent: Michael P. Watson, President/Director
P.O. Box 887, Price, Utah 84501
(801)-637-2252

112.300 FOR APPLICANTS OTHER THAN SINGLE PROPRIETORSHIPS:

112.310 NAME AND ADDRESS OF EACH OFFICER, PARTNER, PRINCIPAL, PRINCIPAL SHAREHOLDER, AND DIRECTOR OR OTHER PERSON PERFORMING A FUNCTION SIMILAR TO A DIRECTOR:

United States Fuel Company is a wholly owned subsidiary of Arava Natural Resources Company Inc. Arava Natural Resources is a wholly owned subsidiary of Muller Industries Inc.

Officers authorized to act on behalf of United States Fuel Company are:

Michael P. Watson, President/Director (12/17/93)
137271 - Richard W. Corman, Vice President Finance and
Treasurer/Director (8/31/93)
137292 - Dean Davis, Secretary/Director (12/17/93)
119346 - Gary L. Barker, Director (1/3/94)
137273 - James E. Browne, Ass't Secretary (12/31/94)

Corporate Office Address: United States Fuel Company
P.O. Box 887
Price, Utah 84501

Officers authorized to act on behalf of Arava Natural Resources Company:

~~Harvey L. Karp, Chairman~~
~~Gary L. Barker, President/Director~~
William H. Hensley, Vice-President/Director
~~Martin Tos, Treasurer~~
Michael P. Watson, Vice-President
Kent A. McKee, Assistant Secretary

119350

Corporate Office Address: Arava Natural Resources Co.
Administrative Office
P.O. Box 887
Price, Utah 84501

Officers authorized to act on behalf of Muller Industries Incorporated:

Harvey L. Karp, Chairman of the Board
William D. O'Hagan, President and CEO
Earl W. Bunkers, Executive Vice President and CFO
~~William H. Hensley, Vice President, General Counsel and Secretary~~
Roy C. Harris, Corporate Controller
~~Kent A. McKee, Treasurer and Assistant Secretary~~

119358

Corporate Office Address: Muller Industries Incorporated
555 North Woodlawn
Wichita, Kansas 67208

112.320 **ALL NAMES UNDER WHICH THE APPLICANT, PARTNER, OR PRINCIPAL SHAREHOLDER OPERATES OR PREVIOUSLY OPERATED A COAL MINE AND RECLAMATION OPERATION IN THE UNITED STATES WITHIN THE 5 YEARS PRECEDING THE DATE OF APPLICATION:**

United States Fuel Company and Carpentertown Coal and Coke Company.

112.400 **PENDING, CURRENT AND PREVIOUS COAL MINING AND RECLAMATION OPERATION PERMIT APPLICATIONS:**

U.S. Fuel Company and Carpentertown Coal and Coke both held coal mining permits subsequent to 1970. Listed on Table I-1 are permits presently or previously held by Carpentertown Coal and Coke. U.S. Fuel Company's mining permits have been listed in Table I-2.

112.500 Surface and subsurface ownership can be referenced on Exhibits IV-1 and IV-2. Appendix I-1 lists the ownership of surface coal and mineral rights in the permit area. The area is broken into five categories based on ownership and lease status. Refer to the legend and summary on page 8 of Appendix I-1 for acreages involved.