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Mine File

State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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October 2, 1995

Michael F. Watson, President
U.S. Fuel Company
P. O. Box 887
Price, Utah 84501

Re: Bonding, U.S. Fuel Company, Hiawatha Mine, ACT/007/011, Folder #4, Carbon & Emery Counties, Utah

Dear Mr. Watson:

Thank you for your letter of September 25, 1995, summarizing the potential transfer of the Hiawatha Mine permit to American Fuel Corp. (AM). I also appreciate the update on reclamation and maintenance activities at Hiawatha summarized in your letter.

A permit transfer with posting of hard surety by a new permittee would alleviate many of the concerns associated with a self-bond situation. The closing paragraphs of your letter includes the following language. "In its discussions with AM on this matter, U.S. Fuel has made it clear that AM must furnish the written commitment for the substitute bond no later than October 31, 1995, or U.S. Fuel will be required to provide additional assurance to DOGM of funding sufficient to complete the reclamation plan to the extent of the self-bond amount." The letter closes by saying "In view of U.S. Fuel's good faith efforts, it is requested that DOGM continue to exercise forbearance in relation to the bonding issue to permit the U.S. Fuel/AM transaction to be completed to the benefit of all parties concerned, including the State of Utah."

In response to your letter, particularly those portions quoted above, the Division expects that the self-bond portion of the Hiawatha reclamation bond will be replaced by an acceptable form of surety by no later that October 31, 1995. My staff (specifically Pam Grubaugh-Littig can assist you or your representative with questions concerning appropriate forms of surety under the Utah Coal Regulatory Program.

On November 1, 1995, I will ask my staff to give me a progress report on the permit transfer and the status of replacement activities with respect to the self-bond portion of the Hiawatha reclamation bond. If on that date a permit transfer has not been consummated, or acceptable replacement of the self-bond has not been posted with DOGM, I will review my regulatory options and take appropriate action. If you have questions in this regard, please contact me or Lowell Braxton.

Very truly yours,

James W. Carter
Director

vb
cc: L. Braxton
P. Grubaugh-Littig
D. Haddock
J. Helfrich
007/001/BONDING.