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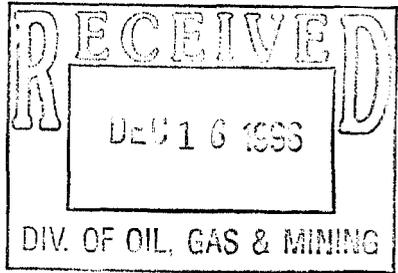
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December 14, 1996



VIA FACSIMILE  
(801-359-3940)

Mary Ann Wright, Director of Mining  
Utah Division of Oil, Gas & Mining  
1594 West North Temple, Suite 1210  
P.O. Box 14580  
Salt Lake City, Utah 84114-5801

Re: Request for Settlement Discussions -- N 96-35-2-1, Hiawatha  
Complex, U.S. Fuel Company, ACT/007/011, Folder #5, Carbon  
County, Utah

*#5 and NOV file  
Copy: Mary Ann, Jr, Susan*

Dear Mary Ann:

On behalf of United States Fuel Company ("U.S. Fuel"), we respectfully request an opportunity to discuss settlement of the above-entitled matter. As we have discussed, U.S. Fuel would be available for settlement discussions on Friday, December 20, 1996, or Thursday, December 26, 1996. As the result of issuance of N96-35-2-1, two employees were idled last week by U.S. Fuel. We appreciate the Division's efforts to schedule settlement discussions as soon as possible to enable U.S. Fuel to reactivate these employees. U.S. Fuel has filed a petition for formal adjudicative hearing of this matter before the Board of Oil, Gas & Mining ("Board"); therefore, neither of the parties are subject to the procedural constraints of an informal conference. Public policy encourages settlement discussions at any time prior to the adjudicative hearing and those discussions are not subject to public posting under R645-401-722.

Mary Ann Wright  
December 14, 1996  
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U.S. Fuel initially filed a request with the Division in this matter for an informal conference. However, public notice requirements of R645-401-722 did not enable the parties adequate time to hold an informal conference prior to the Board's deadline for filing on December 10, 1996. See, R641-105-100. Therefore, on December 10, 1996, U.S. Fuel filed a Petition for Review and Consolidated Hearing seeking formal Board review of the fact of violation of N96-35-2-1.

There is a clear distinction under the Utah Coal Program and the Utah Administrative Procedures Act regarding an informal conference and settlement discussions during formal administrative proceedings. An informal conference under R645-401-700 is administered by the Division. A formal adjudicative hearing under R645-401-800 and R645-400-360 is governed by the Board and is subject to the Board's procedural rules under R641 of the Utah Administrative Code. U.S. Fuel's Petition for Formal Adjudicative Proceedings is not intended to inhibit settlement discussions with the Division. In fact, the Utah Administrative Procedures Act specifically encourages such settlement discussions. Utah Code Ann. 63-46b-1(4). The formal petition in this matter gives the Division and U.S. Fuel additional latitude to schedule these discussions without the constraints of posting public notice.

Once again, we appreciate the extraordinary efforts which you and your staff are making during the Holiday Season to schedule settlement discussions in this matter. Please give me a call to confirm a date for these discussions.

Very truly yours,

A handwritten signature in black ink, appearing to read "Denise A. Dragoo". The signature is written in a cursive style with a long horizontal line extending to the right.

Denise A. Dragoo

DAD:mla

cc: Michael Watson  
Patrick J. O'Hara, Esq.