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

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December 26, 1996

Michael Watson  
United States Fuel Company  
340 Hardscrabble Road  
Helper, UT 84526

Re: Assessments for State Violations N96-46-1-1 and N96-46-2-1, U.S. Fuel Company, Hiawatha Mine Complex, Carbon County, Utah, Cause No. ACT/007/011

Dear Mr. Watson:

I am writing to follow up on your December 18th letter to Mary Ann Wright and our October 18, 1996 Informal Conference held here at the Division offices.

The procedural aspects of the above Notices of Violation have been complex and somewhat confusing. NOV N96-46-1-1 was written in April of this year and the penalty assessed in May. Violation N96-46-2-1 was written in August of this year and was also assessed in August. On August 8th I held an Informal Conference regarding the facts of violation of both N96-46-1-1 and N96-46-2-1, and issued an Order on those matters on September 24th. Neither assessment was addressed in the September 24th Order. The Division again met with U.S. Fuel on October 18, 1996 for an Assessment Conference/Settlement Discussion concerning both NOV's pursuant to a written request dated October 3, 1996.

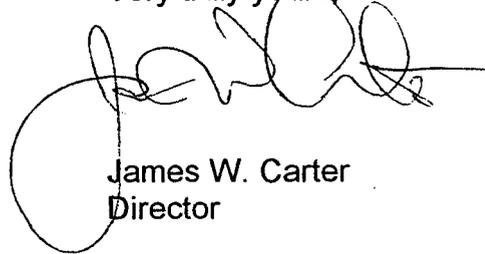
Although the request for an Assessment Conference on violation N96-46-1-1 may well have been untimely, this letter will constitute the Division's final assessment of the civil penalty assessments of \$200 on violation N96-46-1-1 and \$440 on violation N96-46-2-1. On December 18, 1996, United States Fuel Company submitted both penalty assessments to the Division to be held in escrow pending resolution of U.S. Fuel Company's appeal of both facts of violation, thereby ripening the appeal to the Board of Oil, Gas and Mining. This determination of final assessment will not preclude alternative disposition of the facts of violation and/or the assessments levied pursuant to a settlement agreement or stipulation if we succeed in reaching one.



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I apologize for the confusion the Division may have created in these matters and continue to look forward to a mutually satisfactory resolution of all the issues now before us.

Very truly yours,

A handwritten signature in black ink, appearing to read "James W. Carter". The signature is written in a cursive style with a large, prominent loop on the left side.

James W. Carter  
Director

dr  
p:usfuel.l