

mine file

007/012

FABIAN & CLENDENINA PROFESSIONAL CORPORATION
ATTORNEYS AT LAWTWELFTH FLOOR
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DOUGLAS L. FURTH
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WILLIAM H. ADAMS
ANTHONY L. RAMPTON
PETER W. BILLINGS, JR.
GORDON CAMPBELL
THOMAS CHRISTENSEN, JR.
RAND M. ELISON
RANDALL A. MACKAY
DENISE A. DRAGOO
JAY B. BELL
DANIEL W. ANDERSON
TERRIE T. McINTOSH

December 6, 1985

Dr. Dianne R. Nielson
Director
State of Utah
Department of Natural Resources
Division of Oil, Gas & Mining
355 West North Temple
III Triad, Suite 350
Salt Lake City, Utah 84180-1203RE: Application for Conditional Approval of Transfer of
Mining Permit and Substitution of Bond -- Wellington
Preparation Plant, Permit No. ACT/007/012, Carbon
County, Utah

Dear Director Nielson:

On behalf of Kaiser Coal Corporation, we respectfully submit an application for approval of the transfer of the Wellington Preparation Plant Permit and Substitution of Bond under UMC 788.18. As you are aware, Kaiser Coal Corporation is submitting a self bond in conjunction with this submission which meets the requirements of UMC 800.23 of the Utah Coal Program. This transfer and bonding arrangement have been structured to take effect upon the December closing of a Purchase and Sale Agreement between Kaiser Coal Corporation and United States Steel Corporation.

Also enclosed is a proposed publication notice which includes a legal description of the permit boundaries. Please review this publication notice as soon as possible so that we can proceed with publication.

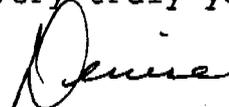
Finally, we have enclosed a draft copy of a Conditional Approval of Mining Permit and Substitution of Bond which may be used to formalize the Division's approval of this transaction.

LAW OFFICES OF
FABIAN & CLENDENIN
A PROFESSIONAL CORPORATION

Dr. Dianne R. Nielson
December 6, 1985
Page Two

Please contact me if you need any additional information. Thank you for your assistance.

Very truly yours,



Denise A. Dragoo

DAD:jk

Enclosures

DIVISION OF OIL, GAS & MINING
UTAH DEPARTMENT OF NATURAL RESOURCES

APPROVAL OF TRANSFER OF PERMIT	:	RE: WELLINGTON PREPARATION
AND SUBSTITUTION OF BOND	:	PLANT PERMIT NO.
	:	ACT/007/012 CARBON
	:	COUNTY, UTAH

WHEREAS, by a Purchase and Sale Agreement dated as of _____, 1985 (the "Agreement"), between United States Steel Corporation and U.S. Steel Mining Co., Inc. (herein "U.S. Steel") and Kaiser Coal Corporation (herein "Kaiser"), U.S. Steel agrees to sell and Kaiser agrees to purchase the Wellington Preparation Plant located in Carbon County, Utah (herein the "Wellington Plant"); and

WHEREAS, by the terms of the Agreement, U.S. Steel agrees to transfer to Kaiser at the "Closing", as defined in the Agreement (the "Closing" shall be held on _____, 1985 [the "Closing Date"], unless otherwise agreed upon by U.S. Steel and Kaiser pursuant to the Agreement), state and federal permit rights (herein the "Permit Rights") under the Utah Coal Mining and Reclamation Act (Utah Code Ann. §§ 40-10-1 et seq.) and the federal Surface Mining Control and Reclamation Act (30 USC §§ 1201 et seq.) and implementing regulations (herein the "Utah Coal Program"); and

WHEREAS, by the terms of the Agreement, Kaiser agrees at the Closing Date to assume and be liable for all obligations relating to the reclamation and environmental rehabilitation of the

Wellington Plant imposed by the state and federal governments; and

WHEREAS, Kaiser has submitted to the Utah Division of Oil, Gas & Mining an application for approval of transfer of permit and substitution of bond for Wellington Preparation Plant Permit No. ACT/007/012 to become effective upon the Closing Date; and

WHEREAS, Kaiser has submitted a Self Bonding and Indemnity Agreement in the amount of Four Million, Three Hundred Sixty Thousand, Seven Hundred Seventy-Five Dollars (\$4,360,775.00 in 1989 Dollars) (the "Kaiser Bond") which will become effective at the Closing Date and the Division has determined that as of the Closing Date Kaiser will have met the requirements of UMC 788.18; and

WHEREAS, upon Kaiser's satisfactory assumption of the Wellington Plant bonding obligation and the Division's assurance that the requirements of UMC 788.18 are met, the Division will release U.S. Steel from any and all obligations for bonding, permitting, reclamation or other requirements of the Utah Coal Program concerning the Wellington Plant; and

WHEREAS, the release of U.S. Steel from said obligations is consistent with UMC 788.18 and the Utah Coal Program.

NOW, THEREFORE, the Division agrees as follows:

1. The Division hereby approves the transfer, assignment and sale of the Permit Rights for the Wellington Plant under the Utah Coal Program from U.S. Steel to Kaiser. Such approval shall become effective as of the Closing Date upon submission to the Division by Kaiser of an executed assignment of the Permit Rights from U. S. Steel to Kaiser.

2. The Division hereby releases U.S. Steel from any and all obligations for bonding, permitting, reclamation, environmental rehabilitation or other requirements of the Utah Coal Program concerning the Wellington Plant. This release shall become effective as of the Closing Date.

3. The Division hereby specifically releases U.S. Steel Mining Co., Inc. and the Federal Insurance Company from their obligations as joint and several sureties in the sum of Three Million, Seven Hundred Twenty-Three Thousand, Six Hundred Twelve Dollars (\$3,723,612.00 in 1985 Dollars) under that Surety Bond No. 8097-43-89 executed by U.S. Steel and the Federal Insurance Company. This release shall become effective as of the Closing Date.

4. The Division hereby substitutes the Kaiser Bond for and in the place of the U.S. Steel surety bond described in paragraph 3 above. This substitution shall become effective as of the Closing Date.

5. The Division represents that the release of U.S. Steel from the obligations described in paragraph 2 and of U.S. Steel and the Federal Insurance Company of the surety bond described in paragraph 3 complies with UMC 788.18 of the Utah Coal Program. The Division agrees to provide a letter of release to U.S. Steel and the Federal Insurance Company if necessary to fulfill the terms of this approval and release.

6. The approval and release set forth herein are conditioned upon Kaiser's compliance with the provisions of UMC 788.18(b)(1) requiring advertising of the application to transfer

the Permit Rights and with the terms of UMC 788.18(b)(2) allowing a thirty-day comment period from date of publication. The Division agrees to provide U.S. Steel and Kaiser with written confirmation of satisfaction of this condition.

SO AGREED this __ day of _____, 1985.

Dianne R. Nielson
Director
Utah Division of Oil, Gas & Mining

APPROVED AS TO FORM:

Assistant Attorney General
State of Utah

SELF BONDING AND INDEMNITY AGREEMENT

THIS SELF BONDING AND INDEMNITY AGREEMENT entered into by and between KAISER STEEL CORPORATION and KAISER COAL CORPORATION, both Delaware corporations (herein jointly referred to as "Kaiser"); the STATE OF UTAH, Department of Natural Resources, Division of Oil, Gas & Mining (herein "Division").

W I T N E S S E T H

WHEREAS, United States Steel Corporation (herein "U.S. Steel") and Kaiser Coal Corporation have entered into a Purchase and Sale Agreement whereby the Wellington Preparation Plant and associated permit rights will be transferred to Kaiser Coal Corporation on the Closing Date specified by the Agreement (herein the "Closing Date"); and

WHEREAS, the Division has tentatively approved Kaiser's application to transfer the Permanent Program Permit No. ACT/007/012 (herein Permit No. ACT/007/012) for the Wellington Preparation Plant located on the premises specifically described in Exhibit A in Carbon County, Utah under the Utah Coal Mining and Reclamation Act, Utah Code Ann. § 40-10-1, et seq., 1953, as amended ("Act") and implementing regulations, subject to transfer of the Wellington Preparation Plant and Permit No. ACT/007/012 to Kaiser Coal Corporation on the Closing Date; and

WHEREAS, Kaiser wishes to obtain a bond to operate the Wellington Preparation Plant Permit No. ACT/007/012 under Self Bonding Rule UMC 800.23 which will become effective as of the Closing Date; and

WHEREAS, Kaiser has submitted for Division consideration a separate Self Bonding and Indemnity Agreement for the Sunnyside Mine which, upon approval, will be recorded in Carbon County, Utah; and

WHEREAS, Kaiser has entered into a separate Self Bonding and Indemnity Agreement for the Geneva Mine, dated November 4, 1985, recorded in Carbon County, Utah on November 12, 1985 at Book 254, Pages 633-40 as Entry No. 010152 and in Emery County, Utah on November 12, 1985 at Book 157, Pages 369-76 as Entry No. 312052; and

WHEREAS, Kaiser Coal Corporation, in compliance with UMC 800.23B.1. has designated Denise A. Dragoo, Esq., with the law firm of FABIAN & CLENDENIN, a Professional Corporation, 215 South State Street, Twelfth Floor, Salt Lake City, Utah 84111, as its agent for Service of Process in the State of Utah; and

WHEREAS, Kaiser Steel Corporation, in compliance with UMC 800.23B.2. has been in continuous operation as a business entity for the last five years; and

WHEREAS, Kaiser Coal Corporation meets the financial criteria for self bonding as set forth at UMC 800.23B.3.; and

WHEREAS, Kaiser Coal Corporation has submitted to the Division financial statements which meet the criteria set forth at UMC 800.23B.4. accompanied by a financial report by Touche Ross & Company.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, Kaiser does hereby agree as of the Closing Date to be held and bonds to the Division and OSM for the

sum of \$4,360,775.00 (1989 dollars) for the timely performance of reclamation responsibilities for the Wellington Preparation Plant Permit No. ACT/007/012 in lawful money of the United States. By the submission of this Self Bonding and Indemnity Agreement, Kaiser will and truly binds itself, its successors and assigns, jointly and severally, firmly by these presents.

The conditions of the above obligations are such that as of the Closing Date:

1. Kaiser shall perform all duties and fulfill all requirements applicable to reclamation as set forth in the Act, the regulations adopted pursuant to the Act and the conditions of Permit No. ACT/007/012 issued by the Division.

2. The liability under this Agreement is conditioned upon successful reclamation of the permit area as provided in the reclamation plan for Permit No. ACT/007/012 for a period of time and in the manner specified in the Act, regulations adopted pursuant thereto, and the conditions set forth in Permit No. ACT/007/012 issued by the Division. At no time shall the liability or responsibility of Kaiser hereunder exceed the sum of \$4,360,775.00 (1989 Dollars). Provided, however, that the Division may adjust the amount of liability hereunder as provided in section 6 hereof.

3. Kaiser does hereby agree to indemnify and hold the Division harmless from any claim, demand, liability, cost, charge or suit brought by a third party, as a result of Kaiser's failure to abide by the terms and conditions of the Reclamation Plan as set forth in Permit No. ACT/007/012 and from any failure to comply with the terms of the Self Bond Agreement.

4. The Division shall give Kaiser notice of any claim and any legal proceedings within the scope of the indemnity set forth at Section 3.

5. Upon successful completion of part or all of the obligations secured hereby, Kaiser may petition the Division for a final release of part or all of the obligations under this Agreement. Upon such petition, the Division shall timely conduct an inspection to ascertain whether the duties and obligations of Kaiser under the Act, regulations adopted pursuant thereto and Permit No. ACT/007/012 have been fulfilled. If such duties and obligations have been fulfilled, the Division shall release Kaiser from part or all of its obligations under this Agreement and shall file a notice of such release in the property records of Carbon County, Utah.

6. This Agreement shall be reviewed periodically by the Division, or reviewed upon petition by Kaiser, in accordance with the Act and implementing regulations and the amount of liability under this Agreement may be adjusted upon order by the Board of Oil, Gas & Mining or upon written agreement between Kaiser and the Division where it is clearly established that the cost of future reclamation has materially changed.

7. This Agreement may be terminated upon 90 days prior written notice to the Division if terminated by Kaiser or upon 90 days prior written notice to Kaiser if terminated by the Division. Upon such written notification, Kaiser will have ninety days as provided by UMC 800.23G to obtain an alternate form of bond acceptable to the Division to secure reclamation obligations for

8. In the event that Kaiser does not acquire the Wellington Preparation Plant and Permit No. ACT/007/012 from U.S. Steel as provided by the terms of the Agreement by the Closing Date, this Self Bonding and Indemnity Agreement will become null and void.

SO AGREED this ____ day of _____, 1985.

KAISER STEEL CORPORATION

Date

By _____

Date

By _____

KAISER COAL CORPORATION

Date

By _____

Date

By _____

STATE OF UTAH, DEPARTMENT OF
NATURAL RESOURCES, DIVISION OF
OIL, GAS & MINING

Date

By _____
Director

APPROVED AS TO FORM:

Date

By _____
Assistant Attorney General

EXHIBIT A

WELLINGTON PREPARATION PLANT
PERMIT BOUNDARY
PERMIT NO. ACT/007/012

The permit area is situate in Carbon County, Utah, as follows:

Township 15 South, Range 11 East, SLB&M:

Sec. 8: SE1/4NE1/4 and SE1/4
Sec. 9: S1/2N1/2 and S1/2
Sec. 15: W1/2NW1/4
Sec. 16: All
Sec. 17: E1/2SE1/4 and NE1/4

DIVISION OF OIL, GAS & MINING
UTAH DEPARTMENT OF NATURAL RESOURCES

APPROVAL OF TRANSFER OF PERMIT : RE: WELLINGTON PREPARATION
AND SUBSTITUTION OF BOND : PLANT PERMIT NO.
: ACT/007/012 CARBON
: COUNTY, UTAH

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WHEREAS, by the terms of the Agreement, U.S. Steel agrees to transfer to Kaiser at the "Closing", as defined in the Agreement (the "Closing" shall be held on December 30, 1985 [the "Closing Date"], unless otherwise agreed upon by U.S. Steel and Kaiser pursuant to the Agreement), state and federal permit rights (herein the "Permit Rights") under the Utah Coal Mining and Reclamation Act (Utah Code Ann. §§ 40-10-1 et seq.) and the federal Surface Mining Control and Reclamation Act (30 USC §§ 1201 et seq.) and implementing regulations (herein the "Utah Coal Program"); and

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WHEREAS, Kaiser has submitted to the Utah Division of Oil, Gas & Mining an application for approval of transfer of permit and substitution of bond for Wellington Preparation Plant Permit No. ACT/007/012 to become effective upon the Closing Date; and

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WHEREAS, upon Kaiser's satisfactory assumption of the Wellington Plant bonding obligation and the Division's assurance that the requirements of UMC 788.18 are met, the Division will release U.S. Steel from any and all obligations for bonding, permitting, reclamation or other requirements of the Utah Coal Program concerning the Wellington Plant; and

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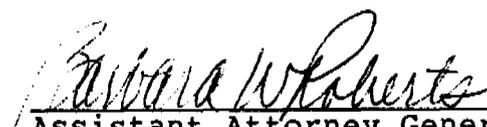
the Permit Rights and with the terms of UMC 788.18(b)(2) allowing a thirty-day comment period from date of publication. The Division agrees to provide U.S. Steel and Kaiser with written confirmation of satisfaction of this condition.

SO AGREED this 10 day of December, 1985.



Dianne R. Nielson
Director
Utah Division of Oil, Gas & Mining

APPROVED AS TO FORM:



Assistant Attorney General
State of Utah