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orig mine file
cc K. May
L. Braxton

FABIAN & CLENDENIN

A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

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SALT LAKE CITY, UTAH 84111-2309

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1885-1975
BEVERLY S. CLENDENIN
1889-1971
SANFORD M. STODDARD
1909-1974

GARY E. JUBBER
W. CULLEN BATTLE
KEVIN N. ANDERSON
DOUGLAS L. FURTH
JATHAN JANOVE
JAMIS M. ...
ROSEMARY ...
MICHELE M. ...
JOHN E. S. ...
DOUGLAS ...
ROBERT ...

PETER W. BILLINGS
ALBERT J. COLTON
RALPH H. MILLER
GEORGE D. MELLING, JR.
WARREN PATTEN
M. BYRON FISHER
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WILLIAM H. ADAMS
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RAND M. ELISON
RANDALL A. MACKEY
DENISE A. DRAGOO
JAY B. BELL
DANIEL W. ANDERSON
TERRIE T. MCINTOSH

February 24, 1986

HAND DELIVERED

Dr. Dianne R. Nielson
Director
Utah Division of Oil, Gas & Mining
355 West North Temple
III Triad Center
Suite 350
Salt Lake City, Utah 84180-1203

RECEIVED
FEB 24 1986

DIVISION OF
OIL, GAS & MINING

RE: Final Transfer of Wellington Preparation Plant
Permit No. ACT/007/012 #2

Dear Dr. Nielson:

Enclosed is the original Self Bond and Indemnity Agree-
ment concerning the Wellington Preparation Plant Permit No.
ACT/007/012, dated January 14, 1986 and recorded February 4,
1986 at Book 257, Pages 268-275 in the official records of
Carbon County, Utah.

As you are aware, on December 10, 1985, the Utah
Division of Oil, Gas & Mining conditionally approved the transfer
of Permit number ACT/007/012 from United States Steel Corporation
to Kaiser Coal Corporation and the substitution of Kaiser's self
bond and indemnity agreement for U.S. Steel's reclamation bond
on the property. This approval was conditioned upon Kaiser's
acquisition of the Wellington Coal Preparation Plant, final
execution and recording of the Self Bonding and Indemnity Agree-
ment and compliance with UMC 788.18(b)(1) requiring advertisement
of the application to transfer and a thirty-day commitment period
from date of publication.

Each of these conditions has now been met by Kaiser Coal
Corporation. On December 30, 1985 Kaiser Coal Corporation ("Kaiser")
and United States Steel Mining Corporation executed a Purchase and
Sale Agreement transferring the Wellington Coal Preparation Plant
to Kaiser and assigning the permit number ACT/007/012 as between
the parties. A copy of this Assignment has been provided to the
Division. Notice of the proposed transfer of permit was published

LAW OFFICES OF
FABIAN & CLENDENIN
A PROFESSIONAL CORPORATION

Dr. Dianne R. Nielson
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Page Two

on January 15, 1986 in the Sun Advocate in Price, Utah and on January 17, 1986 in the Salt Lake Tribune in Salt Lake City, Utah. The thirty-day comment period expired last Monday, February 17, 1986. Affidavits of publication from these newspapers have been provided to the Division. Finally, we are enclosing the executed and recorded Self Bonding and Indemnification Agreement.

Please send written confirmation of the Division's final approval of the Wellington Preparation Plant permit transfer to Kaiser Coal Corporation. Also, please send written confirmation to United States Steel Corporation and to its surety concerning the release of its bonding obligation for permit number ACT/007/012. Please copy William B. Prince, Esq. and me in this correspondence.

We appreciate your assistance in this matter.

Very truly yours,



Denise A. Dragoo

DAD:jk

Enclosure

cc: Thomas Hopkins, Esq.
Jeffrey C. Collins, Esq.
Lee Baker
Frank Erisman, Esq.
William B. Prince, Esq.
Susan Linnear
Pamela Grubaugh-Littig

Entry No. 011085
Indexed ✓✓
Abstracted ✓
Regd. Fee 15.50

South Eastern Utah Title

FEB 4 1 26 PM '86

SELF BONDING AND INDEMNITY AGREEMENT

BOOK 257 OF RECORDS
PAGE 268-275A. H. D. C. BRIEN
COUNTY RECORDER

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, in compliance with Self Bonding Rule UMC 800.23, Kaiser wishes to obtain a bond to operate the Wellington Preparation Plant Permit No. ACT/007/012 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

Permit No. ACT/007/012 in the same amount as the self bond. In the event that Kaiser fails to provide a bond acceptable to the Division within ninety days of termination of this Agreement, Kaiser will cease operations and immediately commence reclamation in accordance with the Reclamation Plan.

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 14th day of January, ¹⁹⁸⁶~~1985~~.

KAISER STEEL CORPORATION

By Monty H. Rial
Monty H. Rial
Chairman of the Board, President
and Chief Executive Officer

By Charles S. McNeil
Charles S. McNeil
President-Coal Group
KAISER COAL CORPORATION

By Charles S. McNeil
Charles S. McNeil
President

By James R. Hall
Secretary
STATE OF UTAH, DEPARTMENT OF
NATURAL RESOURCES, DIVISION OF
OIL, GAS & MINING

By Dianne P. Nielson
Director

January 14, 1986
Date
January 14, 1986
Date

January 14, 1986
Date
January 14, 1986
Date

January 31, 1986
Date

said corporation by authority of its bylaws or a resolution of its board of directors and said Charles S. McNeil and Thomas L. Hopkins duly acknowledged to me that said corporation executed the same.

Pamela K. Simpson

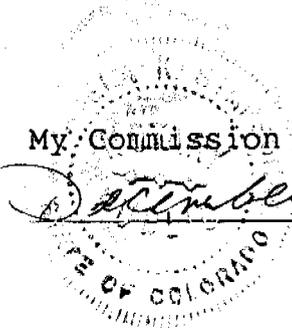
Notary Public

Residing at: P.O. Box 2679

Colorado Springs, Co 80901

My Commission Expires:

December 17, 1989



STATE OF Utah)

) ss:

COUNTY OF Salt Lake)

On the 31st day of January, 1989, personally appeared before me Dr. Dianne R. Nelson, who being by me duly sworn did say for herself, that she, the said Dr. Dianne R. Nelson is the Director of the Division of Oil, Gas & Mining, Department of Natural Resources, State of Utah, and she duly acknowledged to me that said Division executed the foregoing document by authority of law on behalf of the State of Utah.

Marjorie L. Anderson

Notary Public

Residing at: Salt Lake City, Utah

My Commission Expires:

July 24, 1989

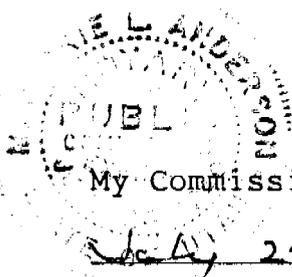


EXHIBIT A

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