

**RECEIVED**

FEB 12 1988

DIVISION OF  
OIL, GAS & MINING

*orig file  
cc NEW  
May*  
orig ACT007/00.  
cc ACT007/012  
ACT007/013

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF COLORADO

IN RE:

KAISER STEEL CORPORATION,

Debtor.

Bankruptcy No.87B-01552E

IN RE:

KAISER COAL CORPORATION,

Debtor.

Bankruptcy No.87B-01621E

IN RE:

KAISER COAL CORPORATION OF  
SUNNYSIDE,

Debtor.

Bankruptcy No.87B-01622E

IN RE:

KAISER COAL CORPORATION OF  
UTAH,

Debtor.

Bankruptcy No.87B-01623E

MOTION FOR RELIEF FROM AUTOMATIC STAY OR IN THE  
ALTERNATIVE FOR ADEQUATE PROTECTION AND REQUEST  
FOR ALLOWANCE AND PAYMENT OF ADMINISTRATIVE CLAIMS

The Utah Division of Oil, Gas and Mining and the Office of Surface Mining, Reclamation and Enforcement (collectively "Applicant") in support of the relief requested against the above referenced debtors (collectively "Debtors"), hereby shows the above entitled Court as follows:

1. The Utah Division of Oil, Gas and Mining ("Division") is an agency of the State of Utah within the Department of Natural Resources and is charged with the responsibility of administering the Coal Mining and Reclamation Act of Utah and the Mined Land Reclamation Act ("Utah Acts"), § 40-10-1 et seq. and § 40-8-1 et seq., respectively, Utah Code Annotated (1953, as amended).

2. The Office of Surface Mining, Reclamation and Enforcement ("OSMRE") is an agency of the United States within the Department of Interior. OSMRE is charged both with the principal responsibility of administering the Surface Mining Control and Reclamation Act of 1977 ("SMCRA"), 30 U.S.C. § 1201 et seq., and with overseeing state regulatory programs created pursuant to SMCRA.

3. SMCRA sets minimum environmental and public safety standards for the purpose of creating a nationwide regulatory scheme designed to control the adverse effects of surface and underground coal mining operations. SMCRA includes provisions for each State to assume exclusive jurisdiction over coal mining

operations on nonfederal lands and cooperative jurisdiction with OSMRE over coal mining operations on federal lands.

4. On January 21, 1981, Utah received approval from the Secretary of Interior to exercise exclusive jurisdiction over coal mining operations on nonfederal lands within the State through implementation of the Utah Acts and resultant rules. Cooperative jurisdiction with OSMRE over coal mining operations on federal lands within the State was achieved by an agreement between the Division and OSMRE, effective March 13, 1987.

5. Under both the Utah Acts and SMCRA, no person may engage in coal mining operations without first having obtained a permit from the State. § 40-10-9 and § 40-8-13 U.C.A.; 30 U.S.C. § 1252. A permit is comprised of a plan for environmental protection and public safety during the operation phase of the coal mine and a plan for reclamation of the site to a near pre-mining condition. § 40-10-17 and § 40-8-13 U.C.A.; 30 U.S.C. § 1265. As a condition for conducting coal mining operations, the permittee is required to submit a bond securing performance of all requirements of the Utah Acts, including the reclamation plan. § 40-10-15 and § 40-8-14 U.C.A.; 30 U.S.C. § 1259.

6. Debtor is the permitted operator of three coal properties located in Carbon County, State of Utah which are subject to the operating and reclamation provisions of the Utah Acts and SMCRA. The first property is the Sunnyside Mine which

is currently being operated under permanent program permit No. ACT/007/007. The second property, known as the Wellington Preparation Plant, may be operated under permanent program permit No. ACT/007/012. The Wellington Preparation Plant is not currently in operation but remains unreclaimed. The third property is the Geneva (Horse Canyon) Mine which currently is maintained in a condition of temporary cessation of operations under ACT/007/013. The Geneva Mine may not be operated until such time as a permanent program permit is granted by the Division.

7. In order to obtain the above referenced mining permits and maintain them in full force and effect, Debtor was required to provide to the Division a bond securing performance of the permit requirements and particularly the Reclamation Plan for each of the three properties incorporated within such permits.

8. Debtor elected to meet the bonding requirements by compliance with the self bonding provisions of the Utah Acts as implemented by Rule UMC 800.23 of the Rules Pertaining to Underground Coal Mining Activities (Rev. 5/87). Accordingly, the Debtor and the Division entered into a Self Bonding and Indemnity Agreement pertaining to the Geneva (Horse Canyon) Mine effective November 4, 1985. A similar Self Bonding and Indemnity Agreement was entered into by the Division and the Debtor pertaining to the

Sunnyside Mine effective January 6, 1986. A Self Bonding and Indemnity Agreement for the Wellington Preparation Plant was entered into by and between the Division and the Debtor effective January 31, 1986. Copies of the Self Bonding Agreements are annexed hereto as Attachments 1, 2, and 3, respectively.

9. At the time these Agreements were entered into, and based upon the information supplied to the Division by the Debtor, the Division determined that the Debtor complied with and met all requirements for self bonding set forth under the Utah Acts and in accordance with Rule UMC 800.23.

10. The permitted area for the Sunnyside Mine contains both nonfederal lands and federal leases with the Debtor as lessee of the federal leases and otherwise in control of the permitted lands. The boundary for the Geneva (Horse Canyon) Mine similarly contains a combination of federal leases and nonfederal lands with the debtor shown as the lessee of the federal leases and otherwise in control of the permitted lands. The Wellington Preparation Plant permitted area contains only nonfederal lands with the debtor in control of those lands.

11. Subsequent to the filing of its Petition for Relief herein on February 13, 1987, the Debtor notified the Division under letter dated March 25, 1987, that Debtor no longer met the self bonding requirements for either the Sunnyside or Geneva Mines or the Wellington Preparation Plant. A copy of the March 25, 1987, letter is annexed hereto as Attachment 4.

12. Pursuant to the provisions of Rule UMC 800.16(3), the Division advised Debtor by letter dated March 26, 1987, that it was in violation of the bonding requirements and that Debtor was under obligation to provide an alternative bond within 90 days either through deposits of cash or property with the Division or through designation of a surety acceptable to the Division. Rule UMC 800.16(3) provides that if an adequate bond is not posted by the end of the 90-day period, the permittee shall cease mining operations and shall commence reclamation operations in accordance with the Reclamation Plan. A copy of the March 26, 1987, letter is annexed hereto as Attachment 5.

13. Debtor has failed to comply with the terms of the March 26, 1987 letter, continues to operate the Sunnyside Mine without adequate bonding, and has not commenced reclamation of any of the three properties, all in violation of the Debtor's permits, of the Utah Acts and by reason thereof, of 28 U.S.C. § 959(b).

14. Applicant is informed and believes and therefore alleges that despite Debtor's diligent efforts it has been unable to sell the Sunnyside or Geneva (Horse Canyon) Mines or the Wellington Preparation Plant to a financially responsible purchaser.

15. In order to comply with the bonding requirements under the Utah Acts and thereby with the provisions of 28 U.S.C.

§ 959(b), the Debtor is required to furnish a good and sufficient bond securing performance of reclamation for the Sunnyside Mine permit area, the cost of which is in the amount of \$2,964,000, subject to adjustment in the event of future increase in costs after October 30, 1987.

16. In order to comply with the bonding requirements under the Utah Acts and thereby with the provisions of 28 U.S.C. § 959(b), the Debtor is required to furnish a good and sufficient bond securing performance of reclamation for the Geneva Mine permit area, the cost of which is in the amount of \$1,707,000, subject to adjustment in the event of future increase in costs after October 30, 1987.

17. In order to comply with the bonding requirements under the Utah Acts and thereby with the provisions of 28 U.S.C. § 959(b), the Debtor is required to furnish a good and sufficient bond securing performance of reclamation for the Wellington Preparation Plan permit area, the cost of which is in the amount of \$4,206,000, subject to adjustment in the event of future increase in costs after October 30, 1987.

18. That in the event Debtor is unable to furnish good and sufficient bonds to secure the performance of reclamation of said properties, the State of Utah and/or the United States will be required to incur reclamation costs in the amounts hereinabove alleged.

WHEREFORE, Applicant respectfully moves the above-entitled Court as follows:

1. To the extent that any enforcement action undertaken pursuant to State or federal law is barred by the automatic stay under 11 U.S.C. § 362(a), for relief from that stay in order that Applicant may take all appropriate enforcement action against the Debtor pursuant to applicable federal and State law by reason of the Debtor's continuing violation of the provisions of the Utah Acts and implementing regulations as hereinabove alleged.

2. Alternatively, that the Debtor provide Applicant with adequate protection by furnishing a good and sufficient surety bond or cash bond to secure performance of the permit requirements and particularly the Reclamation Plan for the Sunnyside Mine permit area in the amount of \$2,964,000, subject to appropriate future increases; for the Geneva Mine permit area in the amount of \$1,707,000, subject to appropriate future increases; and for the Wellington Preparation Plant permit area in the amount of \$4,206,000, subject to appropriate future increases.

3. That in the event Debtor is unable to furnish said bonds that there be allowed and paid to Applicant as an administrative expense herein the costs of reclamation for the Sunnyside Mine permit area, the Geneva Mine permit area and the Wellington Preparation Plan permit area in the amounts of \$2,964,000, \$1,707,000, and \$4,206,000; respectively.

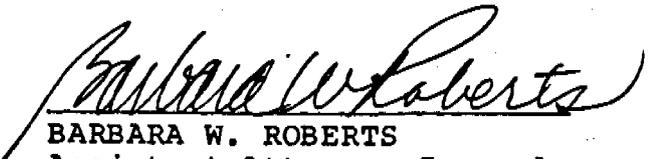
Respectfully submitted this \_\_\_\_\_ day of February, 1988.

MOYE, GIELS, O'KEESE,  
VERMEIRE & GORRELL

---

JOHN O'BRIAN  
1225 17th Street  
29th Floor  
Denver, CO 80202

DAVID L. WILKINSON  
Utah Attorney General

  
BARBARA W. ROBERTS  
Assistant Attorney General  
236 State Capitol  
Salt Lake City, Utah 84114  
(801) 538-1017

WATKISS & CAMPBELL

  
HERSCHEL J. SAPERSTEIN  
GLEN E. DAVIES  
Special Assistants Attorney General  
310 South Main Street  
Twelfth Floor  
Salt Lake City, Utah 84101-2171  
(801) 363-3300  
ROBERT MILLER  
United States Attorney General

---

DAHIL GOSS  
Assistant United States Attorney  
1961 Stout Street  
Federal Office Building  
Suite 1200  
Denver, Colorado 80294  
(303) 844-2064  
FTS 564-2064

---

STUART A. SANDERSON  
Department of Interior  
Office of the Regional Solicitor  
P.O. Box 25007  
Denver Federal Center  
Denver, Colorado 80225  
(303) 236-8443  
FTS 776-8443

KAISER  
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"); and the U.S. DEPARTMENT OF THE INTERIOR, OFFICE OF SURFACE MINING (herein "OSM").

W I T N E S S E T H

WHEREAS, the Division has transferred to Kaiser Steel Corporation the Interim Program Permit No. ACT/007/013 (herein Permit No. ACT/007/013) for the Geneva Mine in Carbon County and Emery 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; on the premises specifically described in Exhibit A; and

WHEREAS, Kaiser Steel Corporation assigned Permit No. ACT/007/013 to Kaiser Coal Corporation by agreement dated March 28, 1985; and

WHEREAS, Kaiser wishes to obtain a bond to maintain Permit No. ACT/007/013 under Self Bonding Rule UMC 800.23; and

WHEREAS, Kaiser will not conduct underground coal mining operations at the Geneva Mine until a Permanent Program Permit is granted by the Division; and

WHEREAS, Kaiser, 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 to be held and bonds to the Division and OSM for the sum of \$918,649.00 (1989 dollars) (such sum payable to one, but not both, of the above-named agencies) for the timely performance of reclamation responsibilities for underground mine Permit No. ACT/007/013 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:

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/007/013 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/007/013 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/007/013 issued by the Division. At no time shall the liability or responsibility of Kaiser hereunder exceed the sum of \$918,649.00 (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 Steel Corporation's and/or Kaiser Coal Corporation's failure to abide by the terms and conditions of the Reclamation Plan as set forth in Permit No. ACT/007/013 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/007/013 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 and Emery 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 to secure reclamation obligations for Permit No. ACT/007/013 in the same amount as the self bond.

SO AGREED this 4th day of November, 1985.

KAISER STEEL CORPORATION

8-6-85  
Date

By Charles S. McNeil  
President - Coal Group

8-6-85  
Date

By Mark H. [Signature]  
Chairman of the Board

KAISER COAL CORPORATION

8-6-85  
Date

By Charles S. McNeil  
President

8-12-85  
Date

By [Signature]  
-4- VICE PRESIDENT, FINANCE





resolution of its board of directors, and said W. Wesley Emerson  
duly acknowledged to me that said corporation executed the same.

Sheila L. Linsdale  
Notary Public  
Residing at: Colorado Springs, Co

My Commission Expires:

September 4, 1988

EXHIBIT A

GENEVA MINE UNDERGROUND MINE  
PERMIT BOUNDARY  
UNDERGROUND PERMIT NO. ACT/007/013

The mine permit area is situated in Emery and Carbon Counties,  
Utah, as follows:

Township 15 S. Range 14 E., SLM, Utah:

Section 27: S1/2SW1/4;  
Section 28: SE1/4SE1/4;  
Section 33: E1/2, E1/2SW1/4;  
Section 34: W1/2, SW1/4NE1/4, W1/2SE1/4, SE1/4SE1/4;

Township 16 R. Range 14 E., SLM, Utah:

Section 2: All;  
Section 3: All;  
Section 4: Lots 1, 8, 9, SE1/4, S1/2SW1/4;  
Section 5: SE1/4SE1/4;  
Section 8: NE1/4NE1/4;  
Section 9: NW1/4NW1/4, NE1/4NW1/4;  
Section 10: E1/2, E1/2NW1/4, NE1/4SW1/4;  
Section 11: W1/2;  
Section 14: NW1/4;  
Section 15: N1/2NE1/4.

The mine permit area is located on the U.S. Geological Survey 15  
minute Woodside Quadrangle.

Entry No. 010001

Indexed ✓✓Abstracted ✓Reg. Fee 69.00STATE OF UTAH } ss 51  
COUNTY OF CARBON }  
FILED AND RECORDED FOR

S.E. Utah Title Co

JAN 9 11 44 AM '86

KAISER SELF BONDING AND INDEMNITY AGREEMENT BOOK 256 OF RECORDS  
PAGE 514-525

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"); and the U.S. DEPARTMENT OF THE INTERIOR, OFFICE OF SURFACE MINING (herein "OSM").

## W I T N E S S E T H

WHEREAS, the Division and OSM have approved Kaiser's application and reclamation plan for the Permanent Program Permit No. ACT/007/007 (herein Permit No. ACT/007/007 ) for the Sunnyside Mine 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; concerning the permit area specifically described in Exhibit A; and

WHEREAS, Kaiser Steel Corporation assigned Permit No. ACT/007/007 to Kaiser Coal Corporation by agreement dated March 28, 1985; and

WHEREAS, Kaiser wishes to obtain a bond to operate underground coal mine Permit No. ACT/007/007 under Self Bonding Rule UMC 800.23; 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, Page 633-40 and in Emery County, Utah on November 12, 1985 at Book 157, Page 369-76; and

The conditions of the above obligations are such that:

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/007/007 issued by the Division.

2. The liability under this Agreement is conditioned upon successful reclamation of the disturbed permit area set forth on Exhibit B as provided in the reclamation plan for Permit No. ACT/007/007 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/007/007 issued by the Division. At no time shall the liability or responsibility of Kaiser hereunder exceed the sum of \$3,397,349.00 (1990 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/007/007 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/007/007 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. In the event that this Agreement is terminated as provided in paragraph 8 and Kaiser fails to provide a bond acceptable to the Division within ninety days of termination, Kaiser will cease operations and immediately commence reclamation in accordance with the Reclamation Plan.

8. 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 to secure reclamation obligations for Permit No. ACT/007/007 in the same amount as the self bond.

SO AGREED this 26<sup>th</sup> day of Nov., 1985.

KAISER STEEL CORPORATION

11-26-85  
Date

By   
Chairman & President

11-26-85  
Date

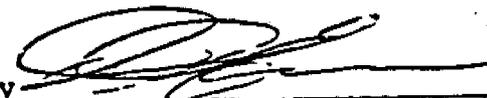
By Charles A. McNeil  
Vice Chairman

KAISER COAL CORPORATION

11-26-85  
Date

By Charles A. McNeil  
President

11-26-85  
Date

By   
VICE PRESIDENT, FINANCE  
STATE OF UTAH, DEPARTMENT OF  
NATURAL RESOURCES, DIVISION OF  
OIL, GAS & MINING

1-6-86  
Date

By Dennis R. Nielson  
Director

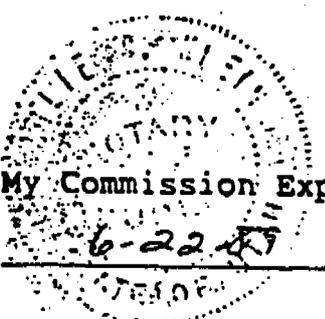
APPROVED AS TO FORM:

12-19-85  
Date

By Barbara W. Roberts  
Assistant Attorney General

STATE OF Utah )  
COUNTY OF Salt Lake ) SS:

On the 26th day of Nov., 1985, personally appeared before me Monty H. Kial and Charles S. McNeil who being by me duly sworn did say that he, the said Monty H. Kial is the Chairman of Kaiser Steel Corporation and said Charles S. McNeil is the Vice Chairman of Kaiser Steel Corporation and said instrument was signed in behalf of said corporation by authority of its bylaws or a resolution of its board of directors and said Monty H. Kial and Charles S. McNeil duly acknowledged to me that said corporation executed the same.



Julie S. Klein  
Notary Public  
Residing at: Davis County

My Commission Expires:  
6-22-89

STATE OF Utah )  
COUNTY OF Salt Lake ) SS:

On the 26th day of Nov., 1985, personally appeared before me Charles S. McNeil and Wes Emerson who being by me duly sworn did say that he, the said Charles S. McNeil is the President of Kaiser Coal Corporation and said Wes Emerson is the Vice President - Finance of Kaiser Coal Corporation and said instrument was signed in behalf of said corporation by authority of its bylaws or a resolution of its board of directors and said Charles S. McNeil and Wes Emerson duly acknowledged to me that said corporation executed the same.



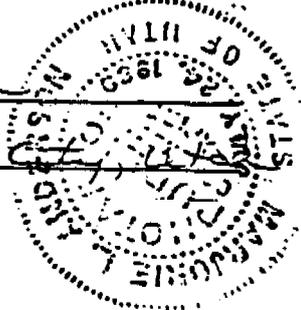
Julie S. Klein  
Notary Public  
Residing at: Davis County

My Commission Expires:  
6-22-89

STATE OF Utah )  
 ) ss:  
COUNTY OF Salt Lake )

On the 6<sup>th</sup> day of January, 1988<sup>6<sup>th</sup></sup>, 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.

Sharon L. Anderson  
Notary Public  
Residing at: Salt Lake City, Utah



My Commission Expires:  
July 24, 1989

EXHIBIT A

LEASE DESCRIPTION

Kaiser Coal Corporation  
Sunnyside Mines  
ACT/007/007, Carbon County, Utah

January 6, 1985

Fee Land

(1) Deed dated February 28, 1951 through which Book Cliffs Corporation, a Nevada corporation, conveyed and warranted to Kaiser Steel Corporation, a Nevada corporation, title to tracts of land in Carbon County, Utah. It was recorded by the County Recorder of Carbon County, Utah, in Book 150, pages 80 to 93 inclusive. Fee land included in the deed and within the permit area is described as follows:

Township 14 South, Range 14 East, SLB&M, Utah

- Sec. 6: N1/2, S1/2 SW1/4, S1/2 SE1/4, NW1/4 SE1/4
- Sec. 7: NW1/4, SW1/4 NE1/4, E1/2 SW1/4, S1/2 SE1/4, NW1/4 SE1/4
- Sec. 17: NE1/4, SE1/4 NW1/4, SW1/4, S1/2 SE1/4
- Sec. 18: E1/2, S1/2 SW1/4, NE1/4 SW1/4, NW1/4 SW1/4, SW1/4 NW1/4 less the following described area:

.Beginning at the NW corner of SW1/4 NW1/4 of Section 18, Township 14 South, Range 14 East:

thence S 45° 05' E, 1,577.42 ft;  
thence S 39° 25' W, 1,759.22 ft;  
thence N 2,472.87 ft to point of beginning.

- Sec. 19 and 20: All
- Sec. 21: W1/2
- Sec. 28 and 29: All
- Sec. 30: NE1/4, NE1/4 NW1/4, NW1/4 SE1/4
- Sec. 31: S1/2 NE1/4, NE1/4 NE1/4
- Sec. 32 and 33: All
- Sec. 34: W1/2

Township 15 South, Range 14, East, SLB&M, Utah

- Sec. 3: W1/2
- Sec. 4: All
- Sec. 5: All
- Sec. 6: S1/2 SE1/4, SE1/4 SW1/4, portions of N1/2 SE1/4 and NE1/4 SW1/4, South of the D&RGW Railroad right-of-way.
- Sec. 7: N1/2 NE1/4, N3/4 NW1/4
- Sec. 8: NE1/4 NE1/4, N1/2 NW1/4, NW1/4 NE1/4
- Sec. 9: All
- Sec. 10: W1/2, SE1/4
- Sec. 15: W1/2, N1/2 NE1/4
- Sec. 16: E1/2, NW1/4, E1/2 SW1/4
- Sec. 17: E1/2 NE1/4

Federal Leases

Federal Coal Leases numbers Salt Lake 062966-063363-Utah Q10140, Utah 32083 and SL-068754. Areas within both the leases and the permit area are described as follows:

Township 14 South, Range 13 East, SLB&M, Utah

• Sec. 1: SE1/4, E1/4 SW1/4

• Sec. 12: NW1/4, NE1/4, SE1/4, NE1/4 SW1/4 less the following described area:

Beginning at a point which bears S 1,320 ft from the NW corner of Section 12:

thence S, 1,320 ft;  
 thence S 89° 55' 30" E, 1,327.01 ft;  
 thence S, 1,320 ft;  
 thence S 89° 53' 15" E, 1,327.22 ft;  
 thence S, 1,320 ft;  
 thence S 89° 51' E, 1,327.43 ft;  
 thence N 45° 05' 07" W, 5,623.40 ft to the place of beginning.

• Sec. 13: Portions of: NE1/4 NE1/4, E1/2 SE1/4, SW1/4 SE1/4, SE1/4 SW1/4, NE1/4 SW1/4, NW1/4 SW1/4, SW1/4 NW1/4 which are described as follows:

Beginning at a point which bears 2,850 ft S 89° 51' E from the SW corner of Section 13:

thence N 42° 30' W, 4,215 ft;  
 thence N 610 ft;  
 thence S 42° 30' E, 3,730 ft;  
 thence N 47° 30' E, 100 ft;  
 thence S 42° 30' E, 1,450 ft;  
 thence N 89° 50' W, 710 ft to the point of beginning.

Beginning at the SE corner of Section 13:

thence N 1,487.13 ft;  
 thence S 39° 25' W, 1,920.39 ft;  
 thence S 89° 50' E, 1,219.36 ft to the point of beginning.

Less the following described area:

Beginning at a point which bears S 1,320 ft from the NE corner of Section 13:

thence N 89° 51' W, 1,327.76 ft;  
 thence N 1,320 ft;  
 thence S 45° 05' 33" E, 1,874 ft to the point of beginning.

• Sec. 24: S1/2 SE1/4, Portions of: N1/2 NE1/4, SE1/4 NE1/4, N1/2 SE1/4 and NE1/4 SW1/4 which are described as follows:

• Beginning at the NE corner of Section 24:

thence S 0° 07' W, 1,814.87 ft;  
thence S 57° 11' W, 430 ft;  
thence N 38° 23' W, 1,165 ft;  
thence N 42° 26' W, 860.51 ft;  
thence N 39° 5' E, 709.31 ft;  
thence S 89° 50' E, 1,219.36 ft;  
thence S 45.54 ft to the place of beginning.

• Beginning at a point which bears N 0° 02' E, 1,294.59 ft from the SE corner of said Section 24:

thence N 0° 02' E, 1,294.59 ft;  
thence N 0° 07' E, 830.41 ft;  
thence S 57° 11' W, 3,905.58 ft;  
thence S 89° E, 3,280.00 ft to the place of beginning and containing 80 acres more or less.

• Beginning at a point which bears N 89° 50' W 1,720 ft from the NE corner of Section 24:

thence N 89° 50' W, 750 ft;  
thence S 42° 30' E, 2,900 ft;  
thence N 57° 11' E, 100 ft;  
thence N 38° 23' W, 1,165 ft;  
thence N 42° 26' W, 860.51 ft;  
thence N 39° 25' E, 350 ft;  
thence N 42° 30' W, 400 ft to the point of beginning.

• Sec. 14: Portions of: NE1/4 which is described as follows:

• Beginning at a point which bears 1,915 ft N 89° 41' W from the NE corner of Section 14:

thence S 42° 30' E, 2,090 ft;  
thence S 600 ft;  
thence N 42° 30' W, 1,400 ft;  
thence S 48° 00' W, 1,525 ft;  
thence S 175 ft;  
thence N 89° 41' W, 315 ft;  
thence N 300 ft;  
thence N 48° 00' E, 1,775 ft;  
thence N 42° 30' W, 1,125 ft;  
thence S 89° 41' E, 500 ft to the point of beginning.

• Sec. 11: Portions SW1/4 SE1/4 which is described as follows:

• Beginning at a point which bears 1,915 ft N 89° 41' W from the SE corner of Section 11:

thence N 40° 30' W, 1,150 ft;  
thence S 48° 00' W, 380 ft;  
thence S 42° 30' E, 780 ft;  
thence S 89° 41' E, 520 ft to the point of beginning.

• Sec. 25: NE1/4 NE1/4

- 4 -

Township 14 South, Range 14 East, SLB&M, Utah

- Sec. 6: N1/2 SW1/4
- Sec. 7: W1/2 SW1/4
- Sec. 8: SW1/4, SW1/4 SE1/4
- Sec. 17: W1/2 NW1/4, NE1/4 NW1/4, N1/2 SE1/4
- Sec. 18: E1/2 NW1/4, NW1/4 NW1/4
- Sec. 30: NW1/4 NW1/4, SE1/4 NW1/4, NE1/4 SW1/4, S1/2 SE1/4, NE1/4 SE1/4
- Sec. 31: NW1/4 NE1/4

Carbon County Lease

Coal lease, dated August 18, 1975, granted by Carbon County of the state of Utah, the lessor, to Kaiser Steel Corporation, the lessee. The lease embraces the following described lands in Carbon County, Utah, all of which are within the permit area:

Salt Lake Meridian, UtahTownship 14 South, Range 14 East

- Sec. 21: SE1/4
- Sec. 27: SW1/4, SW1/4 NW1/4
- Sec. 34: E1/2

Township 15 South, Range 14 East

- Sec. 3: E1/2
- Sec. 10: NE1/4

G247R

EXHIBIT B

See attached maps of disturbed permit area on file with the  
Utah Division of Oil, Gas & Mining.

## 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, 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, ~~1985~~, <sup>1986</sup>.

KAISER STEEL CORPORATION

January 14, 1986  
Date

January 14, 1986  
Date

January 14, 1986  
Date

January 14, 1986  
Date

January 31, 1986  
Date

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 Thomas R. Nielson  
Secretary  
STATE OF UTAH, DEPARTMENT OF  
NATURAL RESOURCES, DIVISION OF  
OIL, GAS & MINING

By Thomas R. Nielson  
Director



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.

Patricia K. Simpson  
Notary Public  
Residing at: P.O. Box 2679

Colorado Springs, Co  
80901

My Commission Expires:

December 17, 1989

STATE OF Utah )  
COUNTY OF Salt Lake ) ss:

On the 31<sup>st</sup> day of January, 1985, 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.

Maxine 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:

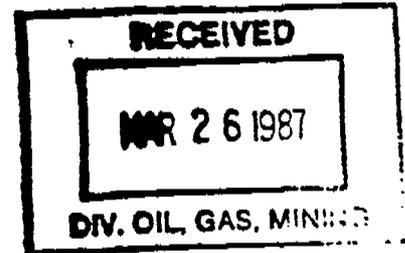
Township 15 South, Range 11 East, SLB&M:

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

**KAISER  
COAL**

KAISER COAL CORPORATION  
 102 SOUTH TEJON STREET, SUITE 800 • P.O. BOX 2679  
 COLORADO SPRINGS, COLORADO 80901-2679  
 (303) 475-7005 • TELEX 289 909

March 25, 1987

HAND DELIVERED

Dr. Dianne Nielson  
 Director  
 Utah Division of Oil, Gas & Mining  
 III Triad, Suite 300  
 Salt Lake City, Utah 84130-1203

RE: Supplemental Bonding Information

Dear Director Nielson:

During our meeting with the Utah Division of Oil, Gas & Mining on Monday, February 23, 1987, and during a briefing session with the Board of Oil, Gas & Mining on February 26, 1987, the Division requested that Kaiser Coal Corporation provide the State of Utah with a statement concerning its ability to meet the financial criteria for self bonding. Under the most current financial information available to date, copies of which are attached, Kaiser Coal Corporation meets the following criteria set forth at UMC 800.23:

- a. UMC 823.D. Kaiser Coal Corporation's total financial indebtedness to the State of Utah for self bonding requirements at the Sunnyside Mine, the Horse Canyon Mine and the Wellington Preparation Plant equal \$8,676,773.00. This amount does not exceed twenty-five percent of Kaiser Coal Corporation's tangible net worth in the United States of \$270 million.
- b. UMC 800.23B(iii): Fixed assets, exclusive of land or coal in place, total at least \$20 million (Kaiser Coal Corporation's fixed assets total \$72,376 million).
- c. UMC 800.23B(iii): The ratio of total liabilities to net worth is 2.5 times or less (Kaiser Coal Corporation's ratio is 0.4). John Gosney, Chief of Financial Operations, indicates that the December 31, 1986 balance sheets will, when completed, also reflect compliance with the above criteria.

Dr. Dianne Nielson  
March 25, 1987  
Page Two

---

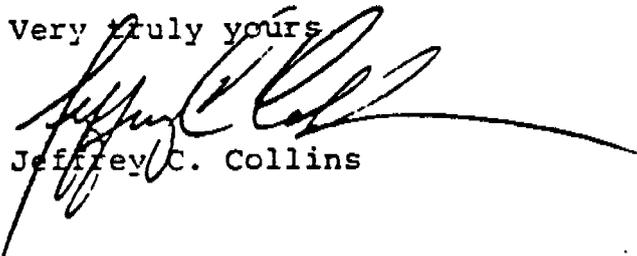
Unfortunately, based upon the enclosed balance sheets, Kaiser Coal Corporation does not presently meet the current assets to current liabilities ratio test set forth in UMC 800.23B(iii). Specifically, the ratio of Kaiser Coal Corporation's current assets to current liabilities is less than the statutory minimum of 1.2.

As such, it appears that at the present time, Kaiser Coal Corporation does not meet all of the necessary criteria for self bonding in the State of Utah. Pursuant to the terms of applicable Self Bonding and Indemnity Agreements between Kaiser Coal Corporation and the State of Utah, Kaiser anticipates that notices will be forthcoming concerning the aforementioned self bonding deficiency. Upon receipt thereof, Kaiser shall endeavor, within ninety days, to replace or otherwise reinstate an acceptable reclamation performance bond in accordance with such notice and applicable laws, rules and regulations.

Finally, you should understand that, although Kaiser is currently subject to the jurisdiction of the federal Bankruptcy Court under Chapter 11 reorganization proceedings, it appears that neither the debtor in possession or a trustee for the bankrupt estate can abandon its reclamation responsibilities under state and federal law. See Midlantic National Bank v. N. J. Department of Environmental Protection 106 S.Ct. 755, 88 L.Ed. 2d. 849 (1986). In reliance on this decision, the federal Bankruptcy Court in West Virginia recently ruled that the post petition costs of reclaiming an area disturbed by the debtor in possession while conducting a surface coal mining operation was entitled to administrative priority under 11 U.S.C. Section 503(b)(1)(A). In re Pierce Coal and Construction, Inc., 65 B.R. 521 (Bkrtcy. N.D. W.Va. 1986).

Please let me know if there is any additional information which Kaiser Coal Corporation can provide to you with respect to our compliance status.

Very truly yours

  
Jeffrey C. Collins

JCC:jk

Enclosures

cc: Denise A. Drago, Esq.  
Craig Christensen, Esq.

**KAISER STEEL CORPORATION**  
**Group Balance Sheet**  
**November 30, 1966**

(Thousands of dollars)

| Assets  | Kaiser<br>Steel<br>Corp. | Adj./<br>Elim. | Fab.<br>Products<br>Group<br>& Pipe | Coal<br>Group  | KIC      | Corp.          | Other         | Disc.<br>Oper. |
|---|--------------------------|----------------|-------------------------------------|----------------|----------|----------------|---------------|----------------|
| Cash and securities                           | 2,076                    | 0              | 1,028                               | 615            | 0        | 226            | 216           | (9)            |
| Accounts receivable                           | 16,333                   | (248)          | 3,710                               | 8,778          | 0        | 3,420          | 398           | 275            |
| Notes receivable                              | 6,634                    | 0              | 0                                   | 0              | 0        | 634            | 0             | 6,000          |
| Inventories                                   | 18,156                   | 269            | 4,264                               | 13,832         | 0        | 0              | 0             | (253)          |
| Other current assets                          | 23,911                   | (376)          | 1,107                               | 17,089         | 0        | 5,992          | 1,763         | 376            |
| Current assets from discontinued operations   | 355                      | 355            | 0                                   | 0              | 0        | 0              | 0             | 0              |
| <b>Current assets</b>                         | <b>69,455</b>            | <b>0</b>       | <b>10,109</b>                       | <b>40,374</b>  | <b>0</b> | <b>10,232</b>  | <b>2,377</b>  | <b>6,373</b>   |
| Restricted cash                               | 9,034                    | 0              | 0                                   | 0              | 0        | 9,034          | 0             | 0              |
| Coal reserves                                 | 278,454                  | 0              | 0                                   | 278,454        | 0        | 0              | 0             | 0              |
| Land  | 80,915                   | 0              | 2,122                               | 38,257         | 0        | 32,777         | 7,739         | 0              |
| Buildings                                     | 34,035                   | (3,851)        | 7,730                               | 15,540         | 0        | 10,765         | 0             | 3,851          |
| Machinery and equipment                       | 134,665                  | (5,723)        | 60,118                              | 73,185         | 0        | 1,362          | 0             | 5,723          |
| CHP   | 4,626                    | 0              | 2                                   | 4,185          | 0        | 469            | 0             | 0              |
| Accumulated depreciation & depletion          | (35,171)                 | 12             | (11,606)                            | (20,534)       | 0        | (2,997)        | (38)          | (12)           |
| <b>Property, plant and equipment, net</b>     | <b>437,614</b>           | <b>(9,562)</b> | <b>58,426</b>                       | <b>389,057</b> | <b>0</b> | <b>42,380</b>  | <b>7,721</b>  | <b>9,562</b>   |
| Notes receivable                              | 995                      | 0              | 0                                   | 0              | 0        | 0              | 0             | 995            |
| Other assets                                  | 60,714                   | (1)            | 32                                  | 28,728         | 0        | 25,103         | 332           | 6,500          |
| Excess purchase price over fair value         | 32,220                   | 0              | 0                                   | 0              | 0        | 32,220         | 0             | 0              |
| Long-term assets from discontinued operations | 9,563                    | 9,563          | 0                                   | 0              | 0        | 0              | 0             | 0              |
| <b>Total assets</b>                           | <b>679,665</b>           | <b>0</b>       | <b>68,587</b>                       | <b>438,189</b> | <b>0</b> | <b>119,029</b> | <b>10,430</b> | <b>23,430</b>  |

**KAISER STEEL CORPORATION**  
Group Balance Sheet  
November 30, 1986

| (thousands of dollars)                             | Kaiser<br>Steel<br>Corp. | Adj./<br>Elim. | Fab.<br>Products<br>Group<br>& Pipe | Coal<br>Group  | KIC      | Corp.            | Other         | Disc.<br>Oper.   |
|--|--------------------------|----------------|-------------------------------------|----------------|----------|------------------|---------------|------------------|
| <b>Liabilities and Stockholders' Equity</b>        |                          |                |                                     |                |          |                  |               |                  |
| Current portion of long-term debt                  | 45,552                   | 0              | 505                                 | 31,645         | 0        | 11,222           | 2,220         | 0                |
| Accounts payable                                   | 16,325                   | (124)          | 3,259                               | 8,304          | 0        | 4,763            | 0             | 124              |
| Employment costs                                   | 12,116                   | (114)          | 5,317                               | 3,850          | 0        | 2,909            | 0             | 114              |
| Interest   | 2,875                    | 0              | 0                                   | 1,828          | 0        | 658              | 389           | 0                |
| Shutdown of steelmaking and finishing              | 0                        | (38,027)       | 0                                   | 0              | 0        | 0                | 0             | 38,027           |
| Other current liabilities                          | 5,298                    | 145            | 1,391                               | 1,305          | 0        | 1,754            | 336           | 365              |
| Current liabilities from discontinued operations   | 38,120                   | 38,120         | 0                                   | 0              | 0        | 0                | 0             | 0                |
| Series B preferred stock redeemable                | 23,014                   | 0              | 0                                   | 0              | 0        | 23,014           | 0             | 0                |
| <b>Current liabilities</b>                         | <b>143,341</b>           | <b>0</b>       | <b>10,472</b>                       | <b>46,972</b>  | <b>0</b> | <b>44,320</b>    | <b>2,947</b>  | <b>38,530</b>    |
| Long-term debt                                     | 90,829                   | 0              | 17,276                              | 60,440         | 0        | 9,113            | 4,000         | 0                |
| Other liabilities                                  | 85,610                   | (789)          | 20,212                              | 22,747         | 0        | 43,362           | 290           | 788              |
| Long-term liabilities from discontinued operations | 287,667                  | 789            | 0                                   | 0              | 0        | 0                | 0             | 286,878          |
| Capital stock and surplus                          | 129,085                  | 0              | 0                                   | 0              | 0        | 129,085          | 0             | 0                |
| Retained earnings:                                 |                          |                |                                     |                |          |                  |               |                  |
| YTD 1986 earnings                                  | (37,178)                 | 0              | (1,618)                             | 2,280          | 2,531    | (12,325)         | (1,455)       | (26,991)         |
| Beginning balance / other                          | (20,689)                 | 0              | 22,245                              | 325,730        | (2,531)  | (94,525)         | 4,648         | (276,275)        |
| <b>Balance at 11/30/86</b>                         | <b>(57,867)</b>          | <b>0</b>       | <b>20,627</b>                       | <b>328,030</b> | <b>0</b> | <b>(106,851)</b> | <b>3,193</b>  | <b>(302,866)</b> |
| <b>Stockholders' equity</b>                        | <b>71,218</b>            | <b>0</b>       | <b>20,627</b>                       | <b>328,030</b> | <b>0</b> | <b>22,234</b>    | <b>3,193</b>  | <b>(302,866)</b> |
| <b>Liabilities and Stockholders' Equity</b>        | <b>679,665</b>           | <b>0</b>       | <b>68,997</b>                       | <b>458,189</b> | <b>0</b> | <b>119,029</b>   | <b>10,430</b> | <b>23,430</b>    |



STATE OF UTAH  
NATURAL RESOURCES  
Oil, Gas & Mining

ATTACHMENT 5

Norman H. Bangerter, Governor  
Dee C. Hansen, Executive Director  
Dianne R. Nielson, Ph.D., Division Director

355 W. North Temple • 3 Triad Center • Suite 350 • Salt Lake City, UT 84180-1203 • 801-538-5340

March 26, 1987

CERTIFIED RETURN RECEIPT REQUESTED  
NO. P 402 458 224

10-80

Jeffrey C. Collins, Esq.  
Kaiser Coal Corporation  
102 South Tejon Street, Suite 800  
Colorado Springs, Colorado 80901-2679

Dear Mr. *Jeff* Collins:

Re: Alternate Bond Form Request, Kaiser Coal Corporation,  
Sunnyside ACT/007/007, Wellington ACT/007/012, and Horse  
Canyon ACT/007/013, Folder No. 5, Carbon County, Utah

The Division has received and reviewed your letter of March 25, 1987, notifying the Division that Kaiser does not meet all necessary criteria for self-bonding. Therefore, in accordance with UMC 800.23(G), the Division hereby notifies Kaiser Coal Corporation that an alternate form of bond in the amount of \$8,676,823 must be posted with the Division within 90 days of receipt of this letter.

If Kaiser fails to post an adequate substitute bond within 90 days, the provisions of UMC 800.16(E) shall apply. The operator will cease coal extraction and will immediately begin to conduct reclamation operations in accordance with the reclamation plan.

If you have questions, please let me know.

Best regards,

Dianne R. Nielson  
Director

PGL/jb

cc: K. May  
L. Braxton  
P. Grubaugh-Littig  
B. Roberts  
J. Whitehead

8808R/6