

0028

cc Lowell

File HGT/07/012  
KEM - EGT  
#3 BWR

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FEB 16 1988

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HAROLD G. MORRIS, JR.

DIVISION OF  
OIL, GAS & MINING

February 11, 1988

IN SOUTHEAST DENVER  
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**Distribution List**

Re: Kaiser Coal - Somerset Property

Ladies and Gentlemen:

Enclosed for your review is the offer of Bear Coal Company for the Somerset property. During the meeting at which this offer was presented, representatives of Bear indicated that they took a long look at Wellington and that, while the property certainly has potential, they could not undertake the associated reclamation liability at this time.

Please let me know if I can provide other information concerning this proposed transaction and whether you have strong objection to it. We plan to meet with Bear again during the week of February 22nd to commence negotiation of a purchase and sale agreement.

Very truly yours,

*Hal*

Hal G. Morris, Jr.

HGM:gr  
Enclosure

- cc: Bruce Hendry (Federal Express, Fontana)
- Joseph Taylor (Colorado Springs)
- Denise Dragoo (Salt Lake City)
- Barbara Roberts (Salt Lake City)
- Barry Weinert (Hand Delivered)
- Glenn Merrick (Hand Delivered)
- Britt Anderson (Hand Delivered)
- Craig Christensen



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February 11, 1988

Mr. Hal Morris  
SHERMAN & HOWARD  
633-17th Street, #2900  
Denver, CO 80202

Dear Mr. Morris:

The Bear Coal Company, Inc., has completed a preliminary evaluation of the former United States Steel Corporation Somerset, Colorado coal mine and the Wellington, Utah preparation plant now owned by Kaiser Coal Corporation. Pursuant to this appraisal, the Bear Coal Company, Inc., hereby respectfully submits the following proposal:

The Bear Coal Company, Inc., (hereinafter referred to as Bear) hereby proposes to purchase the Somerset Coal Mine from Kaiser Coal Company, and is willing to proceed with the execution of an Acquisition Agreement between the parties subject to the following provisions:

- (1) Bear would pay Kaiser \$300,000 in cash at the closing.
- (2) Bear agrees to assume the reclamation responsibility and liability for the Somerset property; and agrees to replace the existing reclamation bond in the amount of \$575,000 with an instrument acceptable to the Colorado Mined Land Reclamation Division.
- (3) Bear agrees to pay to USX, or their assignee, a 4% overriding royalty in the total amount of \$9,000,000 from coal produced from the fee reserves on the Somerset property; with said amount being paid on a quarterly basis immediately following the commencement of production on the Somerset property. It is expressly understood that there will be no pre-payments, minimum payments, or due diligence concerning this royalty provision whatsoever. If no mining takes place on the property, or mining begins and ceases, then no payments will be made until such time as mining commences again. In addition, this overriding royalty will apply to coal produced from the fee reserves of the Somerset property only. No royalty will be paid pursuant to this Agreement for coal produced on adjacent lands, which is subsequently transported through the Somerset property. Bear is prepared to furnish USX whatever information they require regarding our plans for mining and marketing the coal from the property.

Mr. Hal Morris  
February 5, 1988  
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(4) Bear will be given 90 days to peruse any additional data that might be available on the properties and to evaluate said data to their satisfaction. In the event that this analysis yields results that make the properties less valuable than is presently thought for any reason, then the Purchase Agreement for the properties will become null and void.

(5) At the closing, Kaiser and the Bankruptcy Court would be required to deliver title and deed to both properties indubitably and unconditionally free and clear of all liens and encumbrances, including, but not limited to any and all agreements signed by any of the following entities: the Chase Manhattan Bank, Kaiser, the United Mine Workers of America, the United Mine Workers of America Health and Retirement Funds, U.S. Steel Mining Company, United States Steel Corporation, and USX.

(6) At the time of closing, Kaiser would deliver to Bear one of the Caterpillar bulldozers that was removed from the Wellington property; and the following equipment that was removed from the Somerset property: one Joy 12CM continuous miner, two Joy 10SC shuttle cars, and one Lake Shore diesel scooptram.

(7) Bear and Kaiser would agree upon a date for the closing, after which the Acquisition Agreement would become null and void.

At the present time, we are evaluating the possibility of the establishment of a separate business entity for the purchase of the Somerset property. Therefore, there is the possibility that we will ask that the Acquisition Agreement identify this entity as the purchaser of the property.

Respectfully submitted,  
BEAR COAL COMPANY, INC.



William A. Bear  
President