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

ACT/007/007

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July 21, 1988

Mr. William P. Balaz
Kaiser Coal Corporation
Sunnyside Coal Mine
Highway 123
Whitmore Canyon
Sunnyside, Utah 84539

Dear Mr. Balaz:

We have traveled a long road since Kaiser Coal Corporation advised the Division on March 25, 1987, that it no longer met the criteria for a self bond for Kaiser's coal properties in the State of Utah. One day after that notification, the Division responded with a letter directing Kaiser to submit an alternative bond within 90 days or, in lieu thereof, to begin reclamation of the three properties. Kaiser notified the Division of its desire to structure an alternative bond for the purpose of keeping the Sunnyside Mine permit current and active and, throughout the 90-day period, the Division continued its negotiations toward an alternative bond with Kaiser in an attempt to find a way for Kaiser to meet the requirements of the laws of the State of Utah.

When it seemed to the Division that no bond would be forthcoming the Division sought a ruling from the United State District Court for the District of Colorado in Bankruptcy regarding Utah's authority to enforce its environmental laws against a debtor under the Court's protection. As you are aware, Judge Matheson ruled on July 13, 1988, that the State of Utah is exempt under 11 U.S.C. 362(b)(4) and (5) when enforcing its environmental laws.

Therefore, in light of that ruling and in consideration of the fact that Kaiser has not posted an alternative bond for its coal mining properties, I must direct you to cease all operations except for any ongoing maintenance requirements until an alternative bond in the full amount is posted. Please consider permit nos. ACT/007/007, [REDACTED], and ACT/007/013 to be suspended and, pending further notification by the Division, not valid for the purpose of conducting coal mining activities within the State of Utah. Please be further advised that, in light of this notification, any attempt on the part of any person to conduct coal

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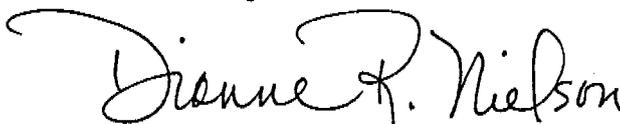
mining activities on Kaiser's Utah coal properties will be considered by the Division to be an intentional violation of the provision of Section 40-10-9, Utah Code Annotated (1953, as amended) which may result in enforcement action under Section 40-10-20 U.C.A.

I regret having to take this action, but the law is clear that there must be assurance that the disturbed area will be reclaimed at the conclusion of mining operations. Without such assurance, reclamation may not take place, resulting in unchecked deterioration of the sites.

The Board has statutory jurisdiction over all appeals of actions taken by the Division. Any petition should be submitted to the Utah Board of Oil, Gas and Mining, at the Division's address.

I hope to continue our discussions with the purpose of structuring an alternative method of assuring that reclamation can be achieved.

Sincerely,



Dianne R. Nielson
Director

cfr

cc: H. Morris
D. Dragoo
S. Sanderson
G. Williams
B. W. Roberts

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