

File Act 1007/013 #5
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RECEIVED

July 16, 1985

JUL 17 1985

HAND DELIVERED

DIVISION OF OIL
GAS & MINING

Pamela Grubaugh-Littig
355 West North Temple
III Triad Center
Suite 350
Salt Lake City, Utah 84180-1203

Dear Pam:

Enclosed is a revised draft of the Self Bonding and Indemnity Agreement which has been red-lined to reflect the amendments we discussed with Mark Moench. I am sending this Agreement to Jeffrey Collins, counsel for Kaiser Coal Corporation, for review and comment.

Please contact me during the week of July 22, 1985 with any further comments.

Very truly yours,

Denise A. Dragoo
Denise A. Dragoo

DAD:jk

Enclosure

cc: Jeffrey C. Collins, Esq. (via Federal Express)
Mark Moench, Esq. (Hand-Delivered)
Pam Simpson (via Federal Express)

SELF BONDING AND INDEMNITY AGREEMENT

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

W I T N E S S E T H

WHEREAS, Kaiser Steel Corporation has obtained Permit No. ACT/007/013 from the State of Utah to operate the Geneva Mine in Emery County, Utah as an underground coal mine 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 operate underground coal mine Permit No. ACT/007/013 under Self Bonding Rule UMC 800.23; 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.

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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 for the sum of \$918,649.00 (1989 dollars) 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 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 the permit to conduct underground mining operations, 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 State of Utah 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 the underground mining Permit No. ACT/007/013 and from any failure to comply with the terms of the Self Bond Agreement.

4. The State of Utah 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 underground mining 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 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 only 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 ____ day of _____, 1985.

KAISER STEEL CORPORATION

By _____

Date

By _____

Date

KAISER COAL CORPORATION

By _____

Date

EXHIBIT A

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

The mine permit area is situate in Emery County, 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.