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

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Outgoing
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April 18, 1990

Mr. Robert H. Hagen
Albuquerque Field Office
Office of Surface Mining
Reclamation and Enforcement
Suite 310 Silver Square
625 Silver Avenue, S.W.
Albuquerque, New Mexico 87102

Dear Bob:

Re: MOA Regarding Horse Canyon Settlement Agreement

Enclosed is a signed and dated copy of the MOA. Thanks for drafting this.

Best regards,

Dianne R. Nielson
Director

Enclosure
wdn1-20

Memorandum of Agreement
between the
Utah Division of Oil, Gas and Mining
and the
U.S. Office of Surface Mining Reclamation and Enforcement

Regarding Implementation of the
Settlement Agreement for the Geneva (Horse Canyon) Mine
Located in Carbon County, Utah

The Utah Division of Oil, Gas and Mining (Division), the U.S. Office of Surface Mining Reclamation and Enforcement (OSM), and the Chase Manhattan Bank (Chase) as agent for the Secured Lenders, have entered into an agreement to release Kaiser Coal Corporation from reclamation liabilities at the Geneva (Horse Canyon) Mine upon posting of a Letter of Credit by Chase to guarantee: (1) Maintenance of the site in compliance with environmental performance standards; (2) abatement of Federal and State Notices of Violation issued at the mine; and (3) completion of permitting and bonding by the purchaser.

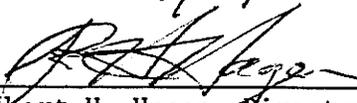
The purpose of this agreement is to delineate procedures for joint administration of the Letter Agreement and the Letter of Credit.

Inspections - The site will be inspected quarterly by the Division. OSM may accompany the Division in accordance with joint inspection procedures. In the event a situation is found requiring remedial action for which both OSM and the Division agree, the Division will immediately notify Chase in accordance with the terms of the Letter Agreement. If OSM and the Division do not agree on the remedial action, OSM will notify the Division in writing and provide the Division with the appeal right contained in the "Ten-Day Notice Rule," 30 CFR Parts 842 and 843.

Holding of the Letter of Credit - The Division will hold the Letter of Credit on behalf of itself and OSM. The Letter of Credit will be turned over to OSM upon demand for the purpose of OSM's drawing on the Letter of Credit. If the Division disagrees with OSM and the event authorizing a draw on the Letter of Credit has occurred, the Division may appeal by using the "Ten-Day Notice Rule" appeal process specified above.



Dianne R. Nielson, Director
Division of Oil, Gas and Mining
Utah Department of Natural Resources
Date: 4/16/90



Robert H. Hagen, Director
Albuquerque Field Office
Office of Surface Mining Reclamation
and Enforcement
Date: 4/13/90