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*Copy
File # 11003/022*



ARCO Denver Legal Department

#2

DATE: May 13, 1994
TO: Pamela Grubaugh-Littig
COMPANY: DOGM
FAX: (801) 359-3940

FROM: Scot W. Anderson
COMPANY: ARCO COAL COMPANY
PHONE: (303) 293-4230
FAX: (303) 293-4098
PAGES: (including cover) *9*

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Comments:

*Copy Daron, Jim
Lowell, Tom Mitchell*



Legal
555 Seventeenth Street
Denver, CO 80202
Telephone 303 293 4230
Facsimile 303 293 4098

Scot W. Anderson
Senior Attorney

May 13, 1994

VIA FAX #801-359-3940

Ms. Pamela Grubaugh-Littig
Department of Natural Resources
Division of Oil, Gas and Mining
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

Mr. Tom Mitchell, Esq.
Department of Natural Resources
Division of Oil, Gas and Mining
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

Re: **Bond for C. V. Spur**

Dear Pamela and Tom:

I have attached for your review the existing bond for the C.V. Spur. As you can see, the principal on the bond is Mountain Coal Company, and the bond is executed in favor of the State of Utah. The bond remains in full force and effect until the Division determines that Mountain Coal has satisfactorily reclaimed the C.V. Spur.

It appears to me that the existing bond provides the Division with exactly what you described in our meeting Tuesday morning: a bond in favor of the state that does not depend on Mountain Coal being the permittee for the C.V. Spur. I therefore propose that Mountain Coal simply leave this existing bond in place after Savage becomes the permittee. Please call me after you have had the chance to review this instrument.

I look forward to hearing from you.

Sincerely,

A handwritten signature in dark ink, appearing to read "Scot W. Anderson", with a long horizontal flourish extending to the right.

Scot W. Anderson

SWA:pd

MAY 12 '94 03:13PM ARCO INSURANCE

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STATE FACT/007/022

R I D E R

RIDER to be attached to and form a part of Bond Number U-629894

on behalf of BEAVER CREEK COAL COMPANY
(Name)

P.O. BOX 4U, PRICE, UTAH 84501
(Address)

as Principal, and in favor of STATE OF UTAH, DIVISION OF OIL, GAS AND MINING

as Obligee, executed by UNITED PACIFIC INSURANCE COMPANY as Surety,
in the amount of TWO MILLION FOUR HUNDRED FORTY-ONE THOUSAND SEVEN HUNDRED FORTY-FIVE AND NO/100

Dollars (\$ 2,441,745.00) effective AUGUST 6, 19 89.

It is hereby understood and agreed that effective as of SEPTEMBER 5, 1991,
the said bond has been amended as follows:

- 1) The Principal's Name has been changed from: BEAVER CREEK COAL COMPANY
to: MOUNTAIN COAL COMPANY
- 2) Specific Language has been added:
"In the event the Cooperative Agreement between the DIVISION and OSM
is terminated, then the portion of the bond covering the Federal Lands
will be payable only to the United States, Department of Interior,
Office of Surface Mining."

Nothing herein contained shall vary, alter or extend any provisions or conditions
of the bond other than as above stated.

SIGNED, SEALED AND DATED this 5TH day of SEPTEMBER, 19 91.

MOUNTAIN COAL COMPANY
Principal

UNITED PACIFIC INSURANCE COMPANY
Surety

BY: _____

BY: Dorothy M. Iwanoff
DOROTHY M. IWANOFF
ATTORNEY-IN-FACT

R I D E R

RIDER to be attached to and form a part of Bond Number U-629894
on behalf of BEAVER CREEK COAL COMPANY
(Name)

P.O. Box AU, Price, Utah 84501
(Address)

as Principal, and in favor of STATE OF UTAH

as Obligee, executed by UNITED PACIFIC INSURANCE COMPANY as Surety,
in the amount of TWO MILLION SEVENTEEN THOUSAND SIX HUNDRED SIXTY-NINE
Dollars (\$ 2,017,669.00) effective APRIL 22, 19 87.

It is hereby understood and agreed that, effective as of AUGUST 6, 1989,
the Bond Amount on said bond has been increased as follows:

FROM: TWO MILLION SEVENTEEN THOUSAND SIX HUNDRED
SIXTY-NINE AND NO/100 DOLLARS (\$2,017,669.00)

TO: TWO MILLION FOUR HUNDRED FORTY-ONE THOUSAND
SEVEN HUNDRED FORTY-FIVE DOLLARS (\$2,441,745.00)

Nothing herein contained shall vary, alter or extend any provisions or conditions
of the bond other than as above stated.

SIGNED, SEALED AND DATED this 15TH day of AUGUST, 19 89.

BEAVER CREEK COAL COMPANY
Principal

UNITED PACIFIC INSURANCE COMPANY
Surety

By: _____

By: W. C. DOYLE, ATTORNEY-IN-FACT

REPRODUCED COPY

BOND RIDER

RIDER to be attached to and form a part of Bond Number U-629894

on behalf of BEAVER CREEK COAL COMPANY
(Name)
P.O. Box AU, Price, Utah 84501 (Principal),
(Address)

and in favor of State of Utah (Obligee).

executed by UNITED PACIFIC INSURANCE COMPANY as Surety, in

the amount of FIVE HUNDRED FIFTY THOUSAND AND NO/100

Dollars (\$ 550,000.00--) effective April 22 19 87.

It is hereby understood and agree that, effective as of April 22, 1987,
the Bond Amount on said bond has been increased as follows:

FROM: FIVE HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$550,000.00)

TO: TWO MILLION SEVENTEEN THOUSAND SIX HUNDRED
SIXTY-NINE AND NO/100 DOLLARS (\$2,017,669.00)

Nothing herein contained shall vary, alter or extend any provisions or conditions
of the bond other than as above stated.

SIGNED, SEALED AND DATED this 4TH day of AUGUST 19 87.

BEAVER CREEK COAL COMPANY
Principal

BY: _____

UNITED PACIFIC INSURANCE COMPANY

BY: W. C. DOYLE, ATTORNEY-IN-FACT

PRINCIPAL'S COPY

MAY 12 '94 03:14PM ARCO INSURANCE
(THIS BOND REPLACES FEDERAL IND. CO.
BOND- NO. 8094-24-78)

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MR FORM 5

(Revised August 1985)
(Non-Federal)

Bond Number U-629894
Permit Number _____
Premium: \$2,750.00

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
(801) 538-5340

THE MINED LANDS RECLAMATION ACT

BOND

The undersigned BEAVER CREEK COAL COMPANY
as principal, and UNITED PACIFIC INSURANCE COMPANY as
surety, hereby jointly and severally bind ourselves, our heirs, administrators,
executors, successors and assigns unto the State of Utah, Division of Oil, Gas
and Mining in the penal sum of FIVE HUNDRED FIFTY THOUSAND AND NO/100
dollars (\$ 550,000.00).

The principal estimated in the Mining and Reclamation Plan filed with the
Division of Oil, Gas and Mining on the 22ND day of APRIL
19 83, that 160 acres of land will be disturbed
by this mining operation in the State of Utah. A description of the disturbed
land is attached hereto as Exhibit "A."

When the Division has determined that the principal has satisfactorily
reclaimed the above-mentioned lands affected by mining in accordance with the
approved Mining and Reclamation Plan and has faithfully performed all
requirements of the Mined Land Reclamation Act, and complied with the Rules
and Regulations adopted in accordance therewith, then this obligation shall be
void; otherwise it shall remain in full force and effect until the reclamation
is completed as outlined in the approved Mining and Reclamation Plan.

If the approved plan provides for reclamation of the land affected on a
piecemeal or cyclic basis, and the land is reclaimed in accordance with such
plan, then this bond may be reduced periodically.

In the converse, if the plan provides for a gradual increase in the area
of the land affected or increases reclamation work, then this bond may
accordingly be increased with the written approval of the surety company.

The Division shall only accept the bond of a surety company if the bond is
noncancellable by the surety at any time for any reason including, but not
limited to nonpayment of premium or bankruptcy of the permittee during the
period of liability.

-COPY-

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NON-FEDERAL
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NOTE: Where one signs by virtue of Power of Attorney for a surety company, such Power of Attorney must be filed with this bond. If the principal is a corporation, the bond shall be executed by a duly authorized officer.

THIS BOND IS TO BE EFFECTIVE: APRIL 22, 1987

BEAVER CREEK COAL COMPANY

Principal (Company)

By

Company Officer - Position

Date:

UNITED PACIFIC INSURANCE COMPANY

Surety (Company)

By

Surety Company Officer - Position
W. C. DOYLE, ATTORNEY-IN-FACT

DATE:

MAY 13, 1987

APPROVED AS TO FORM:

By

Assistant Attorney General

MAY 12 '94 03:15PM ARCO INSURANCE

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NON-FEDERAL
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BOND NO. 8094-24-78

C.V. SPUR COAL PROCESSING AND LOADOUT FACILITY

EXHIBIT A

AFFECTED AREA

SW/4, SECTION 11, T 15 S, R 10 E, SLM, UTAH
160 ACRES MORE OR LESS