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

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December 31, 1997

David M. Arnolds, Esq
Mountain Coal Company
c/o ARCO Legal Department
555 Seventeenth Street
Denver, Colorado 80202

Re: Replacement of Bond, Savage Coal Terminal, Savage Industries, Inc., ACT/007/022, Folder #4,
Carbon County, Utah

Dear Mr. Arnolds:

The Division received notice on December 10, 1997 from James T. Jensen at Savage Industries, Inc., that the Savage Coal Terminal, previously called the Castle Valley Spur Loadout Facility, had been purchased by Savage Industries, Inc. As part of this purchase, Savage Industries, Inc. posted a reclamation surety for this facility in the amount of \$2,525,000 (Surety Bond #158987108 issued by National Fire Insurance Company of Hartford.)

The bond posted by Savage Industries, Inc. replaces Surety Bond #U-629894 issued by United Pacific Insurance Company in the amount of \$2,728,178 which had originally been posted by Beaver Creek Coal Company (and subsequently Mountain Coal Company). The United Pacific Insurance Company surety bond had added Savage Industries, Inc as a co-principal per an agreement dated June 9, 1995.

This letter is acknowledgment that the surety bond issued by United Pacific Insurance Company has been replaced by the surety bond issued by National Fire Insurance Company of Hartford.

If you have any questions, please call me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Pamela Grubaugh-Littig'.

Pamela Grubaugh-Littig
Permit Supervisor

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cc: James T. Jensen, Savage Industries, Inc.

Bill Malencik, Price Field Office

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