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Norman H. Bangerter
Governor
Dee C. Hansen
Executive Director
Dianne R. Nielson, Ph.D.
Division Director

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

December 10, 1992

Mr. David Metz
Citizens Fidelity Bank and Trust Company
Energy Company
Citizens Plaza
Louisville, KY 40296

Dear Mr. Metz:

Re: Replacement of Irrevocable Letter of Credit #13076 with Surety Bond #400776222, Andalex Resources, Inc., Wildcat Loadout Facility, ACT/007/033, Folder #2, Carbon County, Utah

Irrevocable Letter of Credit #13076 has been replaced by a Continental Casualty Company Surety Bond #40077622 posted for the same amount. Therefore, the above-noted irrevocable letter of credit which expires December 12, 1992 is being returned.

If you have any questions, please call me.

Best regards,

Dianne R. Nielson
Director

jbe
Enclosure
cc: Michael Glasson, Andalex Resources, Inc.
Pamela Grubaugh-Littig
007033LO

an equal opportunity employer

Citizens Fidelity Bank & Trust Company
International Department
Louisville, Kentucky 40296

Cable Address: CITFIDBANK
Telex Number: 204-136
Swift: CFBTUS33

DECEMBER 4, 1991

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER 13076

STATE OF UTAH
DIVISION OF OIL, GAS AND MINING
AND U.S. INTERIOR OFFICE OF SURFACE MINING
STATE CAPITOL BUILDING
SALT LAKE CITY, UTAH 84114

GENTLEMEN:

WE HEREBY AUTHORIZE YOU JOINTLY TO DRAW ON CITIZENS FIDELITY BANK AND TRUST COMPANY, LOUISVILLE, KY BY ORDER AND FOR THE ACCOUNT OF ANDALEX RESOURCES, INC. UP TO AN AGGREGATE AMOUNT OF USD813,795.00 (EIGHT HUNDRED THIRTEEN THOUSAND SEVEN HUNDRED NINETY FIVE AND NO/100 U.S. DOLLARS) WHICH IS AVAILABLE FOR PAYMENT AT OUR COUNTERS AGAINST YOUR DRAFT AT SIGHT DRAWN JOINTLY BY BOTH THE STATE OF UTAH DIVISION OF OIL, GAS AND MINING AND U.S. INTERIOR OFFICE OF SURFACE MINING AND ACCOMPANIED BY A STATEMENT PURPORTEDLY SIGNED BY AN AUTHORIZED SIGNATURE OF BOTH THE STATE OF UTAH, DIVISION OF OIL, GAS AND MINING AND U.S. INTERIOR OFFICE OF SURFACE MINING READING AS FOLLOWS:

"WE CERTIFY THAT ANDALEX RESOURCES, INC. HAS FAILED TO CONDUCT APPROPRIATE RECLAMATION ACTIVITIES AND THAT THE STATE OF UTAH, DIVISION OF OIL, GAS AND MINING AND THE U.S. INTERIOR OFFICE OF SURFACE MINING WILL THEREFORE USE THE FUNDS AS NECESSARY TO COMPLETE THE RECLAMATION ACTIVITIES ON THE MINING PROPERTY LOCATED IN CARBON COUNTY, PRICE, UTAH."

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT WILL BE AUTOMATICALLY EXTENDED FOR ADDITIONAL PERIODS OF UP TO ONE (1) YEAR FROM THE THEN RELEVANT EXPIRY DATE, UNLESS SIXTY (60) DAYS PRIOR TO THAT RELEVANT EXPIRY DATE, WE, CITIZENS FIDELITY BANK AND TRUST COMPANY, NOTIFY YOU JOINTLY, AT THE ABOVE ADDRESS THAT WE ELECT NOT TO RENEW THIS LETTER OF CREDIT. UPON RECEIPT BY YOU OF SUCH NON RENEWAL NOTICE YOU MAY ELECT TO OBTAIN CASH COLLATERAL BY JOINTLY DRAWING YOUR ONE SIGHT DRAFT ON US FOR AN AMOUNT NOT TO EXCEED THE UNUSED BALANCE OF THIS LETTER OF CREDIT, OR TO LET THE LETTER OF CREDIT EXPIRE.

THIS LETTER OF CREDIT WILL EXPIRE AT OUR COUNTERS IN LOUISVILLE, KY ON DECEMBER 12, 1992.

ALL DRAFTS DRAWN UNDER THIS CREDIT SHALL STATE THAT THEY ARE "DRAWN UNDER CITIZENS FIDELITY BANK AND TRUST COMPANY LETTER OF CREDIT NUMBER 13076, DATED DECEMBER 4, 1991."

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Citizens Fidelity Bank & Trust Company
International Department
Louisville, Kentucky 40296

Cable Address: CITFIDBANK
Telex Number: 204-136
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STATE OF UTAH
DIVISION OF OIL, GAS AND MINING
AND U.S. INTERIOR OFFICE OF SURFACE MINING
LETTER OF CREDIT NO. 13076
DECEMBER 4, 1991
PAGE TWO OF TWO

WE HEREBY ENGAGE WITH YOU THAT DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS CREDIT THAT SAME WILL BE DULY HONORED.

CITIZENS FIDELITY BANK AND TRUST COMPANY AGREES TO INFORM YOU JOINTLY OF ANY EVENT WHICH WOULD JEOPARDIZE THE VALIDITY OF ITS LETTER OF CREDIT, INCLUDING THE BANK'S ABILITY TO PAY PURSUANT TO THE TERMS HEREOF OR THE EXPIRATION OF ITS LETTER OF CREDIT BY AGREEMENT BETWEEN ANDALEX RESOURCES, INC. AND CITIZENS FIDELITY BANK AND TRUST COMPANY; AND THAT WE, CITIZENS FIDELITY BANK AND TRUST COMPANY, SEND OUR NOTIFICATION TO YOU, JOINTLY, AT THE ABOVE-LISTED ADDRESS BY REGISTERED MAIL (RETURN RECEIPT REQUESTED) DATED NOT LESS THAN SIXTY (60) DAYS PRIOR TO EXPIRATION.

THIS LETTER OF CREDIT IS NOT TRANSFERABLE.

THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1983 REVISION) INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 400.

YOURS VERY TRULY,

DAN STANLEY
VICE PRESIDENT

ORIGINAL