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DIVISION OF
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VIA FACSIMILE

October 6, 1993

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CONFIRMATION OF TELECOPY

James M. Carter
Director
UTAH DIVISION OF OIL, GAS & MINING
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

RE: Operating Agreement -- Sunnyside Cogeneration Associates Permit No. ACT/007/035

Dear Director Carter:

Bob Burnham and I appreciated the opportunity to review this matter with you by conference call this morning. As we discussed, on September 30, 1993, Sunnyside Coal Company ("SCC") and Sunnyside Cogeneration Associates ("SCA") entered into an agreement for the sale of Water Right No. 91-231 to SCA. By the terms of this agreement, the parties have placed in escrow the Operating Agreement dated June 3, 1993, regarding SCA's Permit No. ACT/007/035. By letter dated September 30, 1993, counsel for SCA informed the Division of Oil, Gas & Mining (the "Division") that the June 3, 1993 Operating Agreement is in full force and effect as between the parties subject to the terms of the escrow. In addition, SCA further clarified that it is the responsible party for Permit No. ACT/007/035. Now that the parties have committed to the June 3, 1993 Operating Agreement, it would appear that the following matters pending before the Division have been resolved and may be vacated or terminated:

I. *In the Matter of Sunnyside Reclamation Bond, Sunnyside Mine, ACT/007/007, Application for Informal Conference.*

This informal conference is currently scheduled to be held at the Division on Tuesday, October 26, 1993 at 9:00 a.m. SCC filed an application for informal conference to review the Division's letter of September 15, 1993 proposing to increase the reclamation liability of SCC for SCA's refuse area. The Division's proposed readjustment of reclamation

liability was based on the assumption that an operating agreement concerning the refuse area was not in effect between SCC and SCA. SCC respectfully requests the Division to rescind its letter of September 15, 1993 and reissue a findings document indicating: (1) that the June 3, 1993 Operating Agreement satisfies the requirements of Utah Admin. R. 645-301-117.300; and (2) that the reclamation liability for Sunnyside Mine Permit No. ACT/007/007 is adequately bonded. We understand that you will review this matter with the federal Office of Surface Mining ("OSM") and confirm the Division's position with SCA as soon as possible prior to October 26, 1993.

II. *In the Matter of Sunnyside Cogeneration Associates Mining and Reclamation Permit Approval, Sunnyside Coal Company Petition for Review and Request for Hearing, Docket No. ACT/007/035.*

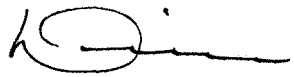
This matter is set before the Board of Oil, Gas & Mining (the "Board") on Wednesday, December 1, 1993. SCC filed a petition for Board review of the Division's permitting decisions concerning SCA Permit No. ACT/007/035 under letters dated July 30, 1993 and August 24, 1993. SCC requests the Division to revise their conclusions under these letters and find that the June 3, 1993 Operating Agreement satisfies the requirements of Utah Admin. R. 645-301-117.300. Under the terms of the 1993 Operating Agreement, SCA is solely responsible for reclamation, bonding and enforcement matters regarding ACT/007/035. We understand that you will review this matter with OSM and confirm the Division's position with SCA prior to October 26, 1993.

III. *In the Matter of SCC's Petition to Vacate Notices of Violation No. 93-40-5-9, 1-9.*

This matter is set before the Board on Wednesday, December 1, 1993. SCC has petitioned the Board for a review of the fact of violation of NOV 93-40-5-9, 1-9. By the terms of the 1993 Operating Agreement, and by letter dated September 30, 1993, SCA has agreed to accept responsibility for all enforcement actions regarding Permit No. ACT/007/035. SCC requests that the Division vacate NOV No. 93-40-5-9, 1-9, with respect to SCC because these violations concern Permit No. ACT/007/035. We would appreciate the Division's response in this matter by October 26, 1993, to enable SCC and the Utah Attorney General time to brief this matter if the NOV's are not vacated. If the matter is not settled by December 1, 1993, SCC will pay the contested penalty into escrow. In the event that the NOV is not vacated by the Division or Board, SCC has requested an informal conference to review the proposed penalty assessment received by SCC on September 20, 1993.

We would appreciate your response regarding these matters as soon as possible. Thank you for your assistance.

Very truly yours,



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