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May 2, 2002

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⁶ ALSO MEMBER NEBRASKA BAR

VIA FEDERAL EXPRESS

Deborah S. Monforte
Frontier Insurance Company in Rehabilitation
195 Lake Louise Marie Road
Rock Hill, NY 12775-8000

Re: Sunnyside Cogeneration Associates - Reclamation Bond - Utah

Dear Deborah:

Enclosed please find the following documents:

1. A letter from Frontier Insurance Company in Rehabilitation ("Frontier Insurance") to the Utah Division of Oil, Gas & Mining ("DOGM") dated March 11, 2002; executed by DOGM on March 28, 2002, acknowledging the replacement of Frontier Insurance's Surety Bond No. 35790 for Sunnyside Cogeneration Associates ("SCA") with the Pledge and Escrow Agreement.
2. Enclosure 1 - Agreement by Principal executed by SCA.
3. Enclosure 2 - Release by Obligee - DOGM.
4. Enclosure 3 - Release Receipt from Original Depositor of Collateral - SCA.

As we discussed, the above items comprise all of the documentation Frontier Insurance requires in order to transfer to SCA the control of the funds held in the zero coupon account in the Bank of New York. These funds have been held to provide security to Frontier Insurance for the potential reclamation

Deborah S. Monforte
May 2, 2002
Page 2

liability associated with Surety Bond No. 35790 relating to SCA's permit with DOGM. Because Surety Bond No. 35790 has been replaced with the Pledge and Escrow Agreement, the funds are being returned to SCA. You informed me that Frontier Insurance must now receive approval from the State of New York to transfer control of the funds to SCA. Please arrange for this approval as soon as possible so that I can provide SCA with the information necessary to take control of the funds.

Thank you for your cooperation in this regard. If you have any questions, please feel free to contact me.

Sincerely,

CALLISTER NEBEKER & MCCULLOUGH



Brian W. Burnett

BWB:ias
Enclosures

cc: Pam Grubaugh-Littig
Jim Willey
Karen Dolezal
Jeff McCormack
Rob McLeese
Greg Lawyer
Kendall Reed
Randy Scott

March 11, 2002

State of Utah, Division of Oil, Gas & Mining
1594 West North Temple, Ste. 120
PO Box 145801
Salt Lake City, Utah 84114-5801

**RE: Principal :Sunnyside Cogeneration Associates
Surety Bond Number :35790**

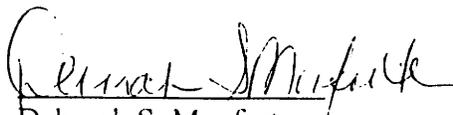
Dear Sir/Madam:

We are the surety for the above captioned. It is our understanding that our bond was replaced with a **Pledge and Escrow Agreement between Sunnyside Cogeneration Associates, Utah Division of Oil, Gas & Mining and Wells Fargo Bank effective January 10, 2002**

We hereby respectfully request that you release our bond effective **January 10, 2002**.

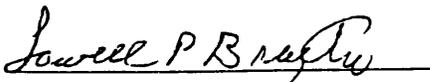
Please acknowledge this release by signing below and returning same in the enclosed postage paid envelope.

Sincerely yours,


Deborah S. Monforte
Surety Underwriting
Ext. 5973

/ dsm

Release of **Bond No. 35790** for
Sunnyside Cogeneration Associates., is hereby
approved, effective **January 10, 2002**

By: 

Title: Director, UT O&G

Date: 3/28/02

cc: Sunnyside Cogeneration Associates
Skillings, Shaw & Associates, Inc.

ENCLOSURE 1

AGREEMENT BY PRINCIPAL

Name and Address of Principal: Sunnyside Cogeneration Associates
One Power Plant Road
P.O. Box 159
Sunnyside, Utah 84539

Name and Address of Owner/Obligee: Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

Bond(s) Number: 35790; Permit No. C/007/035

Description of Collateral: Zero coupon account held at the Bank of New York

In order to induce *Frontier Insurance Company in Rehabilitation* to release collateral held by it to secure obligations of the above-named Principal in connection with the above-referenced Bond(s), the said Principal does hereby represent and warrant to and covenant and agree with *Frontier Insurance Company in Rehabilitation* as follows:

1. Annexed hereto is a complete list showing the captions of, dates of and names of all parties to (I) the subject Bond(s), (II) the Indemnity Agreement or other agreement pursuant to which the subject Bond(s) was issued, (III) all other agreements governing *Frontier Insurance Company in Rehabilitation* rights and obligations with respect to the subject collateral, and (IV) the original Collateral Receipt (where appropriate). Transmitted to *Frontier Insurance Company in Rehabilitation* herewith are true and complete copies of all such documents and agreements as currently in effect. The said agreements comprise all agreements relevant to the requested release of collateral.

2. The principal has duly and completely performed all of its obligations under all contract(s) to which the subject Bond(s) relate and no other obligations under such contracts remain to be performed. *Frontier Insurance Company in Rehabilitation* is entitled to be immediately and unconditionally released from all of its obligations under said Bond(s), whenever accruing. The Owner/Obligee of the Bond(s) has accepted such performance as complete and satisfactory performance of all obligations owing it. Neither the Owner/Obligee nor any other party has threatened or asserted any claims of any nature against the Principal of *Frontier Insurance Company in Rehabilitation* in connection with such Bond(s) or contract(s) and the Principal is unaware of any basis on which any such claims might be asserted.

ENCLOSURE 1 (cont'd.)

3. The Principal will forever defend, indemnify and hold harmless *Frontier Insurance Company in Rehabilitation* from and against any and all claims, damages, losses, costs, charges and expenses of any nature, including court costs and attorneys' fees, whether incurred under salary, retainer or otherwise, which it shall or may incur or to which it shall or may be subjected arising out of or in connection with the subject Bond(s), it being the understanding of the Principal the *Frontier Insurance Company in Rehabilitation* may release the requested collateral in reliance upon the Principal's undertakings herein and in the expectation that under no circumstances can Frontier Insurance Company ever incur any liability under the subject Bond(s).

4. The term "*Frontier Insurance Company*" herein includes *Frontier Insurance Company in Rehabilitation, and Gregory V. Serio, individually and as Superintendent of Insurance of the State of New York as Rehabilitator of Frontier Insurance Company*, and his duly appointed agents, successors and assigns.

IN WITNESS WHEREOF, the said Sunnyside Cogeneration Associates (principal) has caused its corporate seal to be hereunto affixed and this instrument to be signed by its duly authorized officer, on the day of 3/29, 2002.

By: 
By: _____

STATE OF California)
COUNTY OF San Diego)

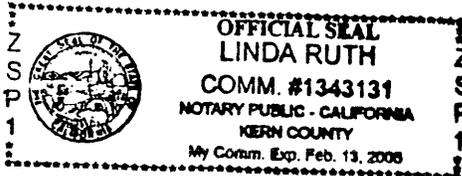
On the 29 day of March, 2002 before me personally came G. B. Lawyer to me known, who, being by me duly sworn, did depose and say that she/he resides at Coach Santa Fe Ct that she/he is the Pres. Feather of SCA, the corporation described in, and which executed the foregoing instrument; that she/he knows the seal of said corporation; that the seal affixed to said instrument is said corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that she/he signed her/his name thereto by like order.

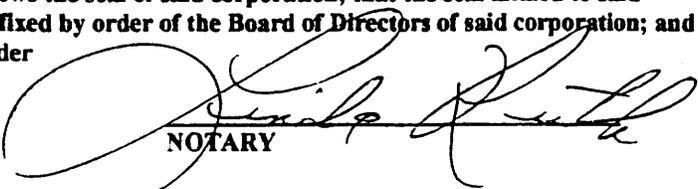



NOTARY

STATE OF California)
COUNTY OF Kern)

On the 2 day of April, 2002 before me personally came James Willey to me known, who, being by me duly sworn, did depose and say that she/he resides at Redwood Ca that she/he is the Owner VP of Sunnyside, the corporation described in, and which executed the foregoing instrument; that she/he knows the seal of said corporation; that the seal affixed to said instrument is said corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that she/he signed her/his name thereto by like order




NOTARY



195 Lake Louise Marie Road
Rock Hill, New York 12775-8000
(800) 836-2100 / (845) 796-2100

ENCLOSURE 2

RELEASE BY OBLIGEE

Name and Address of Principal: Sunnyside Cogeneration Associates
One Power Plant Road
P.O. Box 159
Sunnyside, Utah 84539

Name and Address of Owner/Obligee: Utah Division of Oil, Gas & Mining ("DOGM")
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

Bond(s) Number: 35790; Permit No. C/007/035

Description of Collateral: Zero coupon account held at the Bank of New York

1. The undersigned Obligee, understanding that *Frontier Insurance Company in Rehabilitation* will act in reliance hereon in releasing to the Principal the above described collateral, hereby acknowledges that the above named Principal has fully performed all of its obligations under the contract(s) to which the above-referenced Bond(s) relate and accordingly does hereby release and discharge *Frontier Insurance Company in Rehabilitation* from all claims and liabilities of any kind which the undersigned might have or assert against *Frontier Insurance Company in Rehabilitation* heretofore and hereafter arising under or in connection with the said Bond(s) and hereby agrees that the said Bond(s) shall be cancelled and deemed null and void as of: (a) Out-of-State - Jan 10, 2002 (b) New York - October 15, 2001.

2. The term "*Frontier Insurance Company*" herein includes *Frontier Insurance Company in Rehabilitation, and Gregory V. Serio, individually and as Superintendent of Insurance of the State of New York as Rehabilitator of Frontier Insurance Company*, and his duly appointed agents, successors and assigns.

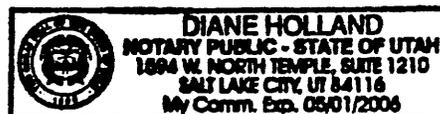
IN WITNESS WHEREOF, the said DOGM (obligee) has caused its corporate seal to be hereunto affixed and this instrument to be signed by (Obligee) has caused its corporate seal to be hereunto affixed and this instrument to be signed by its duly authorized officer, on the day of April 30, 2002.

By Lowell P. Braxton for
Ut. Division of Oil, Gas & Mining

STATE OF Utah)
COUNTY OF Salt Lake)

On the 30th day of April, 2002 before me personally came Lowell P. Braxton to me known, who, being by me duly sworn, did depose and say that she/he resides at Salt Lake City that she/he is the Director of Ut. Div. of Oil, Gas & Mining the corporation described in, and which executed the foregoing instrument; that she/he knows the seal of said corporation; that the seal affixed to said instrument is said corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that she/he signed her/his name thereto by like order.

Diane Holland
NOTARY



ENCLOSURE 3

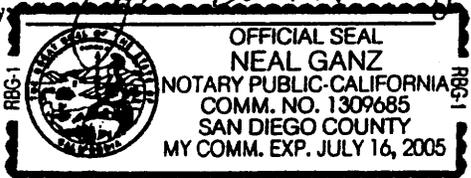
RELEASE RECEIPT FROM ORIGINAL DEPOSITOR OF COLLATERAL

For the purpose of inducing Gregory V. Serio, Superintendent of Insurance of the State of New York, as Rehabilitator of Frontier Insurance Company, to release the collateral specified on the attached list and deposited by the undersigned with Frontier Insurance Company (FIC or custodian), the undersigned (I) does hereby represent and warrant (A) that he has not sold, pledged, hypothecated, assigned or transferred said collateral at any time since the deposit thereof with Frontier Insurance Company (B) that the said collateral still belongs to the undersigned, and (C) that no other person is entitled, or claims the right, to possession thereof by reason of the institution of any attachment or sequestration proceedings against said collateral, by the institution of receivership or bankruptcy proceedings by or against the undersigned, or the execution by the undersigned of a general assignment for benefits of creditors; (ii) does hereby acknowledge receipt from Gregory V. Serio, Superintendent of Insurance of the State of New York and Rehabilitator of Frontier Insurance Company, of the collateral deposited; and (iii) does hereby release and hold harmless Gregory V. Serio, Individually and as Superintendent of Insurance of the State of New York as Rehabilitator of Frontier Insurance Company, and his duly appointed agents, successors and assigns, from any and all liability by reason of the said deposit and release of collateral.

Sunnyside

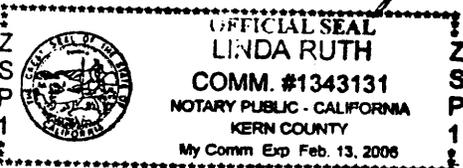
IN WITNESS WHEREOF, the said Cogeneration Associates (Depositor) has caused its corporate seal to be hereto affixed and this instrument to be signed by its duly authorized officer, on the day of 3/29, 2002.

STATE OF California)
COUNTY OF San Diego)

By: [Signature]
By: James Willer


On the 29 day of March, 2002 before me personally came G.B. Lawler to me known, who, being by me duly sworn, did depose and say that she/he resides at Ridgecrest that she/he is the Pres Partner of SCA, the corporation described in, and which executed the foregoing instrument; that she/he knows the seal of said corporation; that the seal affixed to said instrument is said corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that she/he signed her/his name thereto by like order.

STATE OF California)
COUNTY OF Kern)

[Signature]
NOTARY


On the 10 day of April, 2002 before me personally came James Willer to me known, who, being by me duly sworn, did depose and say that she/he resides at Ridgecrest that she/he is the Pres Partner of SCA, the corporation described in, and which executed the foregoing instrument; that she/he knows the seal of said corporation; that the seal affixed to said instrument is said corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that she/he signed her/his name thereto by like order.

[Signature]
NOTARY