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

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

September 7, 1999

Johnny Pappas, Sr. Environmental Engineer
Plateau Mining Company
847 Northwest, Highway 191
Helper, Utah 84526

Re: Surety Bonds - Returned, Castle Gate Holding Company, Castle Gate Mine, ACT/007/004, Plateau Mining Corporation, Star Point Mine, ACT/007/006, Willow Creek Mine, ACT/007/038, Folder #4, Carbon County, Utah

Dear Mr. Pappas:

The Division received nine sureties on August 30, 1999 for the three above-noted mines. I am returning all of these original bonds for problems identified, but moreover because there was difficulty with only one of the original bonds, the one for the Willow Creek Mine. As I mentioned in previous correspondence, there is a problem with the underwriting limitation for only the Willow Creek Mine bond. The bond posted for the Willow Creek Mine in the amount of $11,949,205 issued by United Pacific Insurance Company has an underwriting limitation of $5,298,000. To remedy this situation, please issue only one bond by a surety company with an underwriting limitation that exceeds $11,949,205. This bond would also need to have an executed Exhibit A and Certificate of Authority for the signer of the bond by Plateau Mining Company attached.

The underwriting limitations for the bond for the Castle Gate Mine and Star Point Mine are acceptable, i.e. the bond posted by Travelers Casualty and Surety Company for the Star Point Mine is $10,581,000 has an underwriting limitation of $216,862,000 and Castle Gate Mine bond is $1,804,000 issued by National Fire Insurance Company of Hartford has an underwriting limitation of $77,666,000.

The bond for the Castle Gate Mine is acceptable and does not need to be changed. The Star Point Mine bond, however, needs the name changed from Cyprus Plateau Mining Corporation to Plateau Mining Corporation. This change can be done with a rider to the current bond or one replacement bond.

For your information, I have also enumerated other problems with the bonds that were submitted on August 30, 1999:

Castle Gate Mine: Bond #KA2990-148, St. Paul Fire and Marine Insurance Company, in the amount of $601,333.00,

Bond #103198931-148, Travelers Casualty and Surety Company in the amount of $601,334.00, and

Bond #210067-148, National Union Fire Insurance Company of

Pittsburgh, PA, in the amount of $601,333.00.

These three bonds were to replace Bond No. 9298055 in the amount of $1,804,000 issued by National Fire Insurance Company Hartford.

Star Point Mine: Bond #103198931-096, Travelers Casualty and Surety Company, in the amount of $3,527,000,

Bond #210067-096, National Union Fire Insurance Company of Pittsburgh, PA in the amount of $3,527,000, and

Bond #KA2990-096, St. Paul Fire and Marine Insurance Company in the amount of $3,527,000.

These three bonds were to replace Bond No. 64S100208576BCA, in the amount of $10,581,000 issued by Travelers Insurance Company.

Willow Creek Mine: Bond #210067-059, National Union Fire Insurance Company of Pittsburgh in the amount of $3,983,068,

Bond #KA2990-059, St. Paul Fire and Marine Insurance Company in the amount of $3,983,068,

Bond #103198931-059, Travelers Casualty and Surety Company in the amount of $3,983,069.

These three bonds were to replace the $11,949,205 issued by United Pacific Insurance Company. This surety only has an underwriting limitation of $5, 298,000 and thus the problem and need for replacement.

One of the difficulties with the issuance of three bonds is the area of legal responsibility for each of them, Exhibit A, which is why <u>one</u> bond should replace them. Additionally, the clause on the new bonds state, "The acceptance of this bond, and the reliance upon it by the obligee, hereby supersedes and exonerates all liability under the prior Bond (numbers given) filed by .....the principal" is not acceptable. The clause must add that the new bond accepts <u>**all**</u> liability under the prior bond.

The Powers of Attorney also have some problems. All of the sureties were signed by Patricia Thurmond, Attorney-in-Fact for St. Paul Fire and Marine Insurance Company, Travelers Casualty and Surety Company and National Union Fire Insurance Company of Pittsburgh.

The Powers of Attorney for National Union Fire Insurance Company of Pittsburgh, PA were dated May 13, 1997, and the notary commission expired on November 13, 1997. Although, a new notary

statement was attached, the Power of Attorney needs to be made current.

The Powers of Attorney for St. Paul Fire and Marine Insurance Company were signed on March 11, 1999 and need to be current. The signature of the Assistant Secretary, Michael. R. McKibben, was a facsimile signature and must be original.

All of the Powers of Attorney did not note the limitations of the amount of bonds for the Attorneys-in-Fact and this must be noted.

The Certificate of Authority for Plateau Mining Company and Castle Gate Holding Company, Fred J. Wood, Vice President and Controller, must also be attached.

I apologize if there was a misunderstanding about the need to issue all of these bonds. As I stated before, replacement of the Willow Creek Mine bond with one bond by an acceptable surety, with the Certificate of Authority and executed Exhibit A attached will need to be submitted. The Star Point Mine bond may be ridered for the name change. If replacement bonds are submitted for the Star Point Mine and/or Castle Gate Mine, please make sure that only one bond is submitted for each mine and Exhibit A and the Certificate of Authority is attached.

If you have any questions, please call me.

Sincerely,

Pamela Grubaugh-Littig
Permit Supervisor

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Enclosure (Exhibit A)
cc: Paul Baker
Price Field Office
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