



September 25, 1992

RECEIVED

SEP 30 1992

DIVISION OF
OIL GAS & MINING

Dr. Dianne R. Nielson, Director
Utah Division of Oil, Gas & Mining
3 Triad Center, Suite 350
355 W. North Temple
Salt Lake City, Utah 84180

Re: **Hidden Valley Mine, Permit No. ACT/015/007**
Settlement Proposal

Dear Dr. Nielson:

As we discussed, prior to the September 29, 1992 hearing on Hidden Valley Coal Company's (HVCC's) motion for preliminary injunction regarding Cessation Order 92-26-1-2, HVCC has requested you to consider proposed terms for settlement and final reclamation of the Hidden Valley Mine. This proposal is made in good faith to resolve this matter short of lengthy litigation. HVCC requests that this proposal and any settlement negotiations with the Division of Oil, Gas and Mining (Division) remain confidential and not be used in the pending judicial proceedings.

HVCC has challenged the jurisdiction of the Division over the Hidden Valley Mine on the basis that its operations did not produce sufficient tonnage to be a coal mining operation. However, HVCC is willing to forgo this jurisdictional challenge and its pending appeal in exchange for regulatory certainty. HVCC is seeking the Division's commitment to a specific time frame and standard applicable to final reclamation of the Hidden Valley Mine. Therefore, HVCC proposes the following:

1. Application of the Utah State Coal Program Interim Regulations regarding reclamation and revegetation standards.
2. Retention of the existing bond clock for the Mine with a fixed date for final inspection and final bond release.
3. Retention of the existing reclamation bond amount.
4. In the event that mechanized equipment is necessary to address erosion or other maintenance at the Mine, the bond clock will not be restarted.

Dr. Dianne R. Nielson
September 25, 1992
Page 2

5. HVCC will have 30 days following approval of the settlement agreement to submit an abatement plan to the Division.
6. The Division will vacate all pending enforcement action against HVCC and refund all escrowed penalty payments.

We appreciate your consideration of this matter.

Sincerely,

HIDDEN VALLEY COAL COMPANY



Lee Edmonson, Manager
Planning and Regulatory Affairs

LE/cn

cc: Peter Stirba, Esq.
Denise Dragoo, Esq.

92-116