



STATE OF UTAH
NATURAL RESOURCES
Oil, Gas & Mining

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

355 W. North Temple • 3 Triad Center • Suite 350 • Salt Lake City, UT 84180-1203 • 801-538-5340

November 5, 1985

CERTIFIED RETURN RECEIPT REQUESTED
(P402 457 254)

Mr. Eldon Kingston
Co-Op Mining Company
3753 South State Street
Salt Lake City, Utah 84115

Dear Mr. Kingston:

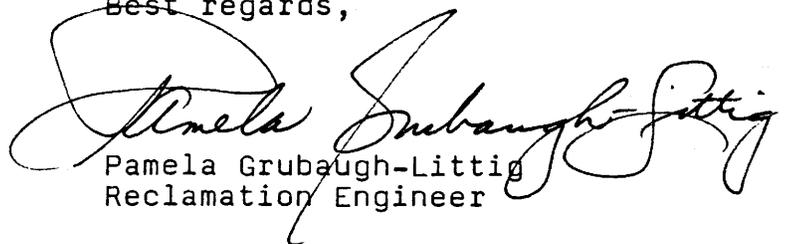
RE: Collateral Bonding and Indemnity Agreement, Bear Canyon Mine, ACT/015/025, #5, Emery County, Utah

Enclosed please find the Collateral Bonding and Indemnity Agreement that must be signed for the Bear Canyon Mine. This signed agreement along with Exhibit "A" and Exhibit "B" finalizes the bonding for the Bear Canyon Mine. Exhibit "A" is a legal description of the disturbed area that is covered by the Irrevocable Letter of Credit for the Bear Canyon Mine. Exhibit "B" is the Irrevocable Letter of Credit issued by the Sandy State Bank (already on file at the Division).

Please sign this agreement and send in Exhibit "A," the legal description, by November 15, 1985.

Thank you very much for your cooperation in this matter. If you have any questions, please call me.

Best regards,



Pamela Grubaugh-Littig
Reclamation Engineer

btt
Enclosure
cc: Lowell Braxton
John Whitehead
8808R-25

(November 1985)

State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
3 Triad Center, Suite 350
355 West North Temple
Salt Lake City, Utah 84180-1203
(801) 538-5340

COLLATERAL BONDING AND INDEMNITY AGREEMENT

THIS COLLATERAL BONDING AND INDEMNITY AGREEMENT entered into by and between Co-Op Mining Company (hereinafter referred to as "Co-Op") and the Utah Division of Oil, Gas and Mining (hereinafter referred to as "Division"),

W I T N E S S E T H

WHEREAS, Co-Op has obtained Permit No. ACT/015/025 from the Division to conduct mining and reclamation activities at the Bear Canyon Mine in Emery County, Utah, as an underground coal mine under the Utah Coal Mining and Reclamation Act, Utah Code Annotated, 40-10-1, et seq, 1953, as amended ("Act") and implementing regulations; on the disturbed areas designated in Exhibit A; and

WHEREAS, Co-Op wishes to obtain a bond under Collateral Bonding Rule UMC 800.1(c); and

WHEREAS, Co-Op has provided an irrevocable letter of credit issued by Sandy State Bank of Sandy, Utah (Exhibit B), naming the Division as Beneficiary, as collateral to secure this Collateral Bonding and Indemnity Agreement; and

COLLATERAL BONDING AND INDEMNITY AGREEMENT

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, Co-Op does hereby agree to be held and firmly bonds to the Division for the sum of \$237,545.00 (1990 dollars) for the timely performance of reclamation responsibilities for Permit No. ACT/015/025 in lawful money of the United States. By the submission of this irrevocable letter of credit Co-Op will and truly binds itself, its successors and assigns, jointly and severally, by these presents.

The conditions of the above obligations are such that:

1. Co-Op shall perform all duties and fulfill all requirements applicable to mining and reclamation as set forth in the Act, and regulations adopted pursuant to the Act and the conditions of Permit No. ACT/015/025 issued by the Division.
2. The liability under this Agreement is conditioned upon successful reclamation of the permit area as provided in the Mining and Reclamation Plan for Permit No. ACT/015/025 for a period of time and in the manner specified in the Act and regulations adopted pursuant thereto as amended from time to time, and the conditions set forth in Permit No. ACT/015/025 issued by the Division.

COLLATERAL BONDING AND INDEMNITY AGREEMENT

3. Co-Op does hereby jointly and severally agree to indemnify and hold the Division harmless from any claim, demand, liability, cost, charge or suit brought by a third party, as a result of Co-Op's failure to abide by the term and conditions of the Mining and Reclamation Plan as set forth in Permit No. ACT/015/025 and from any failure to comply with the terms of this Agreement.
4. The Division shall give Co-Op notice of any claim and any legal proceedings within the scope of the indemnity set forth at Section 3.
5. Upon successful completion of part or all of the obligations secured hereby, Co-Op may petition the Division for a final release of part or all of the obligations under this Agreement. Upon such petition, the Division shall timely conduct an inspection to ascertain whether the duties and obligations of Co-Op under the Act, regulations adopted pursuant thereto and Permit No. ACT/015/025 have been fulfilled. If such duties and obligations have been fulfilled, the Division shall release Co-Op from part or all of its obligations under this Agreement and shall file notice of such release of collateral held by the Division.
6. This agreement shall be reviewed periodically by the Division, or reviewed upon petition by Co-Op, in accordance with the Act and implementing regulations and the amount of

COLLATERAL BONDING AND INDEMNITY AGREEMENT

liability under this agreement may be adjusted upon written agreement between Co-Op and the Division where it is clearly established that the cost of future reclamation has materially changed.

7. This Agreement may be terminated upon ninety (90) days prior written notice to the Division if terminated by Co-Op or upon ninety (90) days written notice to Co-Op if terminated by the Division. Upon such written notification, Co-Op will have ninety (90) days to obtain an alternate form of bond to secure reclamation obligations for Permit No. ACT/015/025 in the same amount as stated in this Agreement or amendments thereto.

SO AGREED this _____ day of _____, 1985.

Co-Op Mining Company

By _____
President

STATE OF UTAH, DEPARTMENT OF
NATURAL RESOURCES, DIVISION OF
OIL, GAS AND MINING

By _____
Dr. Dianne R. Nielson
Director

Page 5

COLLATERAL BONDING AND INDEMNITY AGREEMENT

APPROVED AS TO FORM:

Mark C. Moench
Assistant Attorney General

0542R