0017

LAW OFFICES OF
KIMBALL, PARR, WADDOUPS, BROWN & GEE
A PROFESSIONAL CORPORATION
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185 SOUTH STATE STREET
POST OFFICE BOX 11019
SALT LAKE CITY, UTAH 84147-0019
TELEPHONE (801) 532-7840
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JOHN M. BURKE

RECEIVED
DEC 17 1996
DIV. OF OIL, GAS & MINING

VIA HAND DELIVERY

December 17, 1996

Daron Haddock, Permit Supervisor
Division of Oil, Gas, and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

Copy for each mine to #2

Re: Reclamation Agreements for Permits No. ACT/007/005, Skyline Mine; (2) ACT/041/002, SUFCo Mine; (3) ACT/007/018, Soldier Canyon Mine; (4) and ACT/007/034, Banning Loadout

Original to ACT/007/005

Dear Daron:

Please find enclosed herewith two originals of the reclamation agreements executed by Canyon Fuel Company, LLC for the above-referenced permit transfers. Each agreement contains (1) a legal description of the permit areas using the permit descriptions you provided to me; (2) a rider substituting Canyon Fuel Company, LLC as the principal for the bonds presently held by the Utah Division of Oil, Gas, and Mining ("DOGM"); and (3) a certificate of liability insurance. At the appropriate time, as discussed more fully below, DOGM shoud execute the Reclamation Agreements and the attached riders, and return one fully executed agreement to me. Please note that there is also a separate set of riders, not attached to the agreements, that we request DOGM execute and return to the surety per the directions on the blue tags attached to those riders. Envelopes are enclosed for that purpose.

Please hold the reclamation agreements and the riders to the bonds until you have (1) approved the transfers and (2) received notice from Canyon Fuel Company, LLC that the anticipated transaction giving rise to the permit transfers has occurred. More specifically, we anticipate that Canyon Fuel Company, LLC will provide notice on December 20, 1996 that (1) Soldier Creek Coal Company has merged into Sage Point Coal Company; (2) Sage Point Coal Company, Southern Utah Fuel Company, Utah Fuel Company, and Skyline Coal Company have all merged into Coastal States Energy Company; (3) Coastal States Energy Company has merged into Canyon

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Fuel Company, LLC,; and (4) ARCO Uinta Coal Company and Itochu Coal International, Inc. have purchased Canyon Fuel Company, LLC. Upon receiving such notice, DOGM should replace the existing Reclamation Agreements with Canyon Fuel Company's Reclamation Agreements and put into effect the riders attached thereto substituting Canyon Fuel Company, LLC as the principal on the bonds.

With this submittal, we believe that Canyon Fuel Company has satisfied all of the requirements for approval of the various transfers on December 19, 1996. If you disagree or discover any problems with our earlier submittals or with the Reclamation Agreements, the riders to the bonds, or the certificates of liability insurance, please advise Clay Parr or me immediately. We will seek to resolve any such deficiencies to your satisfaction by Thursday, December 19, 1996 in time for the closing on Friday, December 20, 1996.

Very truly yours,

John M. Burke

Enclosure
cc: David Arnolds
R. Kirk Mueller (w/enc)
Clayton J. Parr
JMB/wm