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UNITED STATES FUEL COMPANY

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September 8, 1995

Mr. Lowell Braxton
Associate Director
Division of Oil, Gas & Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, UT 84180

Copy Pam, Lowell, Daron,
[Redacted signature]

Dear Mr. Braxton:

I am aware of your concern over the United States Fuel Company (U. S. Fuel) financial status and the associated worry with the self-bonded portion of the reclamation performance bond. However, these concerns could be laid to rest shortly. As you may be aware, U. S. Fuel signed an agreement to sell the Hiawatha property to American Fuel Corp. The agreement is contingent upon a certain chain of events, with the last events being the replacement of the U. S. Fuel bonds with collateral preferable to DOGM and subsequent transfer of the permit to American Fuel. The required chain of events is nearly complete and awaits the replacement of the reclamation bond. Now it appears that American Fuel Corp. has secured a financial supporter to provide the necessary collateral for replacement of the reclamation bond. American Fuel has indicated to me that by September 22 of this year they will have documentation from their financial backer committing to provide a letter of credit for the amount of the reclamation bond. The acquisition of the letter of credit should remove the last impediment to completing the transfer of the permit. Upon my receipt, I will provide to DOGM a copy of the aforementioned commitment documentation.

I firmly believe the sale of U. S. Fuel would be of benefit to all parties involved. I'll keep in touch and let you know of further progress in preparation of the permit transfer.

Sincerely,

Michael P. Watson
President