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UNITED STATES FUEL COMPANY

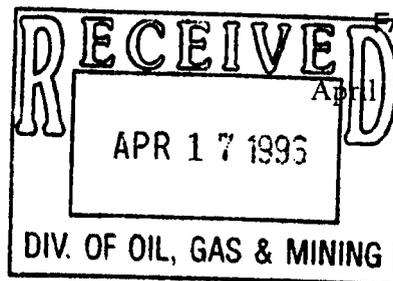


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Mr. Pete Hess
Reclamation Specialist
Division of Oil, Gas & Mining
Utah Department of Natural Resources
451 East 400 North
Price, UT 84501



Re: Reclamation at Hiawatha

Dear Pete,

ACT/007/011 #2

I am both disappointed and surprised regarding your letter of April 5, 1996 in which you indicate the Division is not satisfied with the rate of reclamation at United States Fuel Company's ("USF") Hiawatha property. In contrast to other mines in the area which have layed dormant for years and no reclamation has been undertaken, USF has been very proactive. I believe that USF has far exceeded any regulatory requirement in its ongoing reclamation efforts. Contemporaneously with USF's continued (albeit reduced) operations, we have expended considerable resources on reclamation. You have undoubtedly observed the results of the reclamation work including the following partial list:

- Removal of the Preparation Plant
- Removal of Tipple II
- Regrading of the tipple area
- Removal of the Carpenter Shop
- Reclamation of the North Fork Portal
- Regrading and topsoiling of the #4 pond
- Regrading and topsoiling of the #2 refuse pile
- Regrading of the #5 pond

At the point in time when operations cease at the Hiawatha property, all the aforementioned tasks will be behind us. USF is not behind schedule on this reclamation work but rather way ahead. We are proud of our reclamation accomplishments and would welcome a visit from Daron or any other Division representative to personally tour our property. I do not understand the Division's position on this matter and await further correspondence.

Sincerely,

Michael P. Watson
President

cc: Jim Carter, Director, DOGM
Lowell Braxton, Associate Director, DOGM