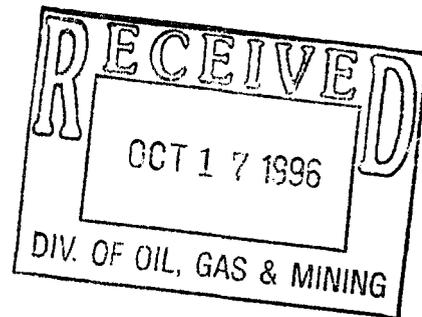


0025

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CONFIDENTIAL

VIA FACSIMILE & U.S. MAIL

October 15, 1996

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Ms. Mary Ann Wright
Associate Director of Mining
State of Utah, Department of Natural Resources
Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

RE: ~~DIVISION ORDER # 96-A, WELLINGTON PREPARATION PLANT,~~
ACT/007/012, CARBON COUNTY, UTAH # 2

Copy Pam & Paul
Jason

Dear Ms. Wright:

On behalf of Nevada Electric Investment Company ("NEICO") we have been requested to respond to your letter of September 20, 1996, regarding Division Order #96-A. NEICO questions the authority of the Utah Division of Oil, Gas & Mining (the "Division") to set a timetable for reclamation as suggested in your letter of September 20, 1996, and in the Division Order. However, NEICO seeks to keep the Division apprised of its activities at the Wellington Preparation Plant ("Wellington"). As indicated in our letter of August 15, 1996, and in Dennis Schwehr's letter of September 10, 1996, NEICO has been evaluating alternative approaches to contemporaneous reclamation at Wellington. As set forth in that correspondence, in September of 1996, NEICO solicited proposals for the acquisition of Wellington. This solicitation was based on the assumption that NEICO would retain Permit No. ACT/007/012 and associated reclamation liability for a period of up to two years. During that period, buyer would immediately assume operations associated with the sale of

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coal fines and contemporaneous reclamation and eventually acquire the permit and reclamation liability. NEICO has received proposals in response to this request and has entered into a letter of intent with one of the respondents. NEICO is scheduled to close on an agreement with this entity ("Buyer") on October 21, 1996 on the following terms:

1. Under the terms of the letter of intent, Buyer will enter into a two-year installment sales agreement (the "Agreement") with NEICO for the acquisition of Wellington. During this time period, NEICO will retain the mine permit and intends to designate the Buyer as operator.
2. Under the terms of the Agreement, Buyer will immediately file with the Division an application for permit change under R645-303-200. This application will change the designation of the operator under the Mining and Reclamation Plan for Permit No. ACT/007/012 ("MRP") from NEICO to the Buyer. The Buyer will then take possession of Wellington under the Agreement (i.e., "equitable title") and be responsible as the operator of the property for the further actions listed below.
3. Within ten days of taking possession of Wellington, and upon Buyer's clearance of the Applicant Violator System, Buyer will commence the demolition of the buildings, removal of demolition debris, sale of salvageable assets, removal of asbestos on the property, etc. All demolition and removal of processing, washing and drying facilities will be completed by Buyer within one year of taking possession of Wellington.
4. Mining activities associated with the removal and sale of coal fines will proceed contemporaneously with the above-stated demolition and reclamation activities. Buyer will seek approval from the Division for a modification of the MRP to allow retrieval and removal of the coal fines from the slurry ponds and, within thirty days of taking possession of the property, assuming approval of the MRP modification, Buyer will commence removal of the fines. Buyer intends to sell the fines and place a portion of the sales revenue in an escrow account to be controlled by NEICO. The escrow account will be applied towards Buyer's reclamation liability to replace NEICO's reclamation bond.
5. Buyer will undertake demolition and reclamation activities, consistent with the MRP. Within the two-year term of the Agreement, Buyer will

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seek to reduce the Wellington reclamation liability by \$3.5 million by performing demolition and reclamation activities and by designating an alternative post-mining land use. Within the two-year term, Buyer will substitute its surety for the remaining reclamation liability at Wellington. Escrowed funds from the sale of coal fines would be applied towards the Buyer's reclamation liability.

6. Buyer will be responsible for the performance of all ongoing environmental maintenance activities at Wellington, including but not limited to those associated with the MRP.
7. At the end of the two-year term of the Agreement, if Buyer has satisfactorily performed the foregoing, NEICO and Buyer will apply to the Division for transfer of the MRP to Buyer, and, upon Division approval of the application, NEICO will transfer to Buyer legal title to Wellington.

Due to the confidentiality of this matter and the sensitivity of negotiations, we request that you keep the terms of this Agreement confidential until closing.

As indicated above, NEICO and Buyer have entered into a letter of intent and intend to close on the Agreement which includes the above-described terms on Monday, October 21, 1996. As a condition to closing on the Agreement, NEICO has required the Buyer to provide a significant performance bond, financial statements and a policy of general liability insurance. In the event that the current buyer is unable to close on the Agreement, another party has indicated its willingness to purchase Wellington outright from NEICO. The second party has indicated that it has the financial ability to assume the reclamation liability at Wellington and is willing to substitute its surety for NEICO's reclamation bond. If an Agreement is negotiated with the second party, that party has indicated that it intends to use the Wellington wash plant and does not intend to demolish the facilities.

Under the circumstances, NEICO is not in a position to commit to a definite schedule regarding contemporaneous reclamation or demolition until it closes on an Agreement with the proposed purchaser on October 21, 1996. NEICO would like to coordinate the closing with a meeting with the Division to introduce the Buyer and discuss the details of the change in designation of operator. We have tentatively scheduled this meeting for Monday, October 21, 1996, at 11:30 a.m. at your office.

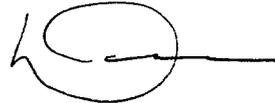
Finally, enclosed under separate cover is a request for extension of time in which to abate NOV N95-39-2-2 regarding the Wellington coarse refuse pile. As you may

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be aware, the Mine Safety and Health Administration ("MSHA") met with representatives of NEICO and the Division on Thursday, October 3, 1996, for an inspection of the coarse refuse pile. MSHA has agreed to reconsider its Decision dated August 2, 1996, concerning NEICO's request for a variance from 30 C.F.R. § 77.215(h).

Thank you for your consideration in this matter.

Very truly yours,

A handwritten signature in black ink, consisting of a large, stylized 'D' followed by a horizontal line extending to the right.

Denise A. Dragoo

DAD:jmc:87672

Enclosure

cc: Richard Hinckley, Esq.
Dennis Schwehr
Patrick Collins
Pamela Grubaugh-Littig
Lowell Braxton