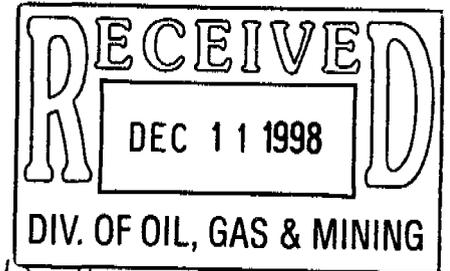


ANDALEX
RESOURCES, INC.

P.O. BOX 902
PRICE, UTAH 84501
PHONE (435) 637-5385
FAX (435) 637-8860

December 9, 1998

Pamela Grubaugh-Littig
Utah Dept of Natural Resources
Division of Oil, Gas & Mining
PO Box 145801
Salt Lake City, UT 84114-5801



Dear Ms. Grubaugh-Littig:

ACT/007/012 #2

This letter is written to provide the Division with additional information regarding our intent to construct a new unit-train loading facility at the Wellington Preparation Plant site. It is written specifically to address issues raised in your letter of December 2, 1998, to Patrick Collins regarding the "Administratively Incomplete Submittal for Alternative Post-Mining Land Use and Bond Release, NEICO, Wellington Preparation Plant, ACT 007/012/Folder #2:

- 1) ANDALEX Resources, Inc. and Intermountain Power Agency, as co-tenants in common and collectively known as WEST RIDGE Resources, Inc., has signed an option agreement with Nevada Electric Investment Company (NEICO) to acquire a 200-acre area within the ACT 007/012 permit area for the purpose of constructing a new multi-million dollar, state-of-the-art unit-train coal loading facility. A copy of the Memorandum Agreement between WEST RIDGE and NEICO, is enclosed for reference.
- 2) WEST RIDGE Resources, Inc. is a wholly-owned subsidiary of ANDALEX Resources, Inc. The Board of Directors of ANDALEX Resources, Inc., and the Board of Directors of WEST RIDGE Resources, Inc. have recently approved the 1999 budget for construction of the new facility. This approved budget authorizes more than \$13,000,000 in capital expenditures during 1999 for construction of the facility, including the purchase price of the 200-acre Wellington site.
- 3) In numerous public meetings involving public officials in Carbon County, ANDALEX Resources has openly discussed its plans to construct the new loadout at the Wellington site as part of the on-going WEST RIDGE coal mining project. Carbon County has already spent more than \$2,000,000 on construction of the road to the WEST RIDGE Mine. Construction on the minesite is scheduled to begin in the spring of 1999.

Pamela Grubaugh-Littig
December 9, 1998
Page Two

- 4) To date, ANDALEX Resources, Inc. has spent more than \$200,000 on detailed engineering for the facilities to be located at this site. This engineering is the basis for Requests for Proposals (RFPs) being prepared for the general contractor who will construct the loadout. (A copy of this detailed engineering can be furnished upon request.) The RFP bid packages are scheduled for completion by the end of January, 1999. Production Industries Company (PICOR) of Gray, Tennessee, has been hired to complete the detailed engineering for the facility.

- 5) The unit-train loading facility proposed by WEST RIDGE Resources, Inc. will include the following:
 - a) A 6,000-ton-per-hour batch weigh in-motion unit-train loading structure complete with 120-ton weigh bin, 300-ton surge bin, and automated ASTM sampling.
 - b) An 800-foot long, 72-inch loadout reclaim conveyor.
 - c) Two (2) each reclaim conveyors, each contained within a multi-plate reclaim tunnel and each containing seven individual draw-down ports.
 - d) Two (2) each radial stackers, each capable of placing a 120,000-ton coal stockpile.
 - e) Two (2) each drive-over truck dumps and reclaim / transfer conveyors.
 - f) Office complex.
 - g) Substation

- 6) WEST RIDGE Resources, Inc. intends to make use of the following existing improvements at the Wellington site:
 - a) Trackage: We have hired Midwest Railroad Construction Company to prepare a complete inventory of the existing rail structure at the site. Based on this inventory, we have determined that this rail can and will be utilized in construction of the loop track for the new facility. The Union Pacific (UP) and Burlington Northern Santa Fe (BNSF) railroads have agreed to allow usage of this rail material.
 - b) Access Road: The existing paved access road leading into the site will continue to be maintained and utilized as the primary access to the site during construction and operation of the new loadout.

- c) Powerline: The existing 46 KV powerline which runs through the site will be used to provide power to the new facility. We have had numerous discussions with Utah Power regarding use of this line in terms of substation capacity, metering requirements, and upgrades to accommodate the new facility. The line is owned and operated by Utah Power and will continue in service for the new loadout.
 - d) Track Hopper: The existing track hopper will be used to supply industrial water for dust control and wash down at the facility. As part of our agreement with NEICO, we will acquire water right 91-254 for 0.15 cfs of water, which is pertinent to the track hopper sump according to the Utah Division of Water Rights.
-
- 7) If the industrial post-mining land use and bond release are approved by DOGM, we would intend to purchase the property by March, 1999, start construction of the loadout by May, 1999, and have the facility operational by the end of 1999. This schedule is designed to coincide with the development schedule of the WEST RIDGE Mine.
 - 8) We have worked extensively with the UP Railroad regarding use of the site and utilization of their existing side trackage infrastructure. We have also discussed the post-mining land use / bond release with UP, specifically in relation to the dryer pond area which is located partially within the UP Railroad right-of-way. The UP Railroad is in full concurrence with the proposed industrial land use / bond release. (See attached UP Railroad correspondence letter.)
 - 9) We have received written commitment form corporate-level UP Railroad officials that UP will allow dual rail access to the Wellington site, which will also accommodate service from the BNSF Railroad.
 - 10) After we acquire the property we will submit applications for air quality permits (Utah Division of Air Quality), NPDES permits (Utah Division of Water Quality), and building permits (Carbon County Planning Department). Please note that this area has been zoned "heavy industrial" by Carbon County and industrial use of the area is permitted (and encouraged) in accordance with the approved Carbon County Master Plan. ANDALEX Resources will construct the facility to satisfy all federal, local, and/or Utah laws regarding public health and safety and environmental protections.

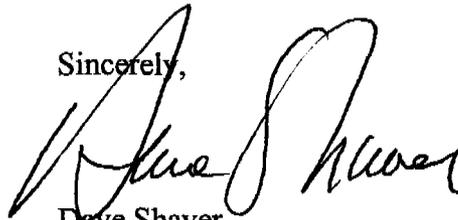
Pamela Grubaugh-Littig
December 9, 1998
Page Four

- 11) If the area is not approved for industrial post-mining land use, it must then be reclaimed for agriculture and/or wildlife usage. The area is rough and rocky and is not accessible to irrigation water. It is not well suited for agriculture or grazing usage. In its natural condition, it does not support grazing. Wildlife usage in this area is limited to rodents, rabbits, lizards, and insects. The heavy existing frequency of trains on the nearby UP mainline track and of coal trucks on the nearby Ridge Road discourage most other wildlife usage. According to Carbon County officials, industrial use is a higher and better use of the area than grazing / wildlife. The industrial loadout facility will generate about twenty high-paying jobs and will generate substantial tax revenue for Carbon County. It will be part of a mining operation that will employ hundreds of people and will generate millions of dollars of royalty revenue for the State of Utah, the Utah School Trust, and the U.S. government.

If ANDALEX is not able to construct the loadout at the Wellington site, it will have to be constructed at one of the other two alternate sites presently held under option. Both of these sites are prime farmland, which are presently under cultivation. Both alternate sites are also located much closer to existing residential areas than the Wellington site.

In partial response to your December 2, 1998, letter, I am also submitting copies of our previous relevant correspondence (i.e. letters of October 21, 1998, and November 19, 1998). Also, enclosed is a copy of Carbon County Commission's position letter of November 18, 1998. If you have any other comments regarding our interest in, or plans for the Wellington site, please call me at your convenience.

Sincerely,



Dave Shaver

Manager Technical Services

Enclosures: Memorandum Agreement - NEICO
UPRR letter / correspondence
Carbon County letter, 11/18/98
Andalex letter, 10/21/98
Andalex letter, 11/19/98

cc: Mary Ann Wright
Patrick Collins

MEMORANDUM OF AGREEMENT

This Memorandum of Agreement (the "Memorandum") provides a summary of the terms and conditions of that certain Option Agreement entered into as of September 25, 1998 (the "Agreement"), by and between EARTHCO, a Nevada corporation, Nevada Electric Investment Co., a Nevada corporation ("NEICO"), and ANDALEX Resources, Inc., a Delaware corporation ("ANDALEX").

RECITALS:

EARTHCO and NEICO desire to grant, and have granted to, ANDALEX, and ANDALEX desires to acquire, and has acquired, from EARTHCO and NEICO, the option to purchase and receive that certain parcel of real property containing approximately 200 acres, more or less, located in Carbon County, Utah, the same being more particularly described in Exhibit "A," attached hereto and made a part hereof, and the location of which is shown on the map attached hereto as Exhibit "B" (the "Land"), together with other lands, water rights, and appurtenances thereto.

ESCROW OF FUNDS:

Upon the execution of the Agreement, ANDALEX has paid to Southeastern Utah Title Company, in its capacity as escrow agent for the parties (the "Escrow Agent"), the sum identified in section 2.1 of the Agreement.

TERM:

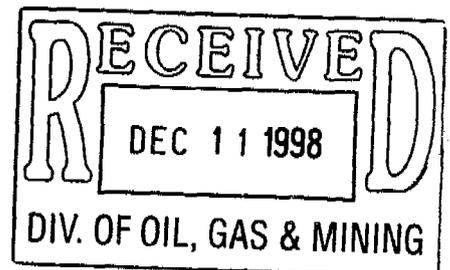
The primary term under the Agreement is for a period of one hundred twenty (120) days. Subject to EARTHCO and NEICO's approval, ANDALEX has the right to extend the primary term for up to six (6) consecutive additional months.

CLOSING:

The closing of the transaction is contingent upon: (1) EARTHCO and NEICO causing any reclamation bond obligations or other obligations under State or Federal rules or Statutes pertaining to mining reclamation to be released on or before the closing, and (2) EARTHCO and NEICO causing the Land and the real property to be removed from any State or Federal permit area. At the closing, the purchase price shall be paid and the land shall be conveyed to ANDALEX.

COUNTERPARTS:

This Memorandum may be executed in one or more counterparts, each of which shall be deemed as original, but all of which together shall constitute one and the same instrument.



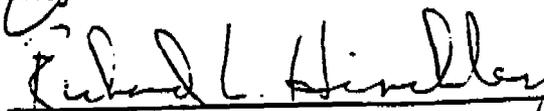
EFFECT OF AGREEMENT:

This Memorandum merely summarizes the terms and conditions of the Agreement and in the event of conflict the terms and conditions contained in the Agreement will prevail. This Memorandum shall constitute notice to all third parties of the existence of the Agreement and ANDALEX's right to acquire the Land, and any third party acquiring the Land shall take the Land subject to ANDALEX's rights to acquire the Land and other interests identified in the Agreement. This Memorandum shall be recorded in the real property records of Carbon County, Utah.

IN WITNESS WHEREOF, ANDALEX, NEICO and EARTHCO have executed this Memorandum as of the date first above written.



EARTHCO, a Nevada corporation by
Jerry W. Slusser, Chairman



Nevada Electric Investment Co.,
a Nevada corporation by
Richard L. Hinckley, Vice President



ANDALEX Resources, Inc. by
Samuel C. Quigley, Vice President

STATE OF UTAH)
 : ss.
COUNTY OF CARBON)

On the 25 day of September, 1998, personally appeared before me Samuel C. Quigley, as Vice President of ANDALEX Resources, Inc., a Delaware corporation, who signed the foregoing instrument and acknowledged to me that he executed the same.

Janette Kay Robinson
Notary Public
Residing at: Price, Utah

My commission expires:

05/03/2000



EXHIBIT A

Option Agreement for Purchase of Real Property
located in Carbon County, Utah

LEGAL DESCRIPTION OF THE PROPERTY

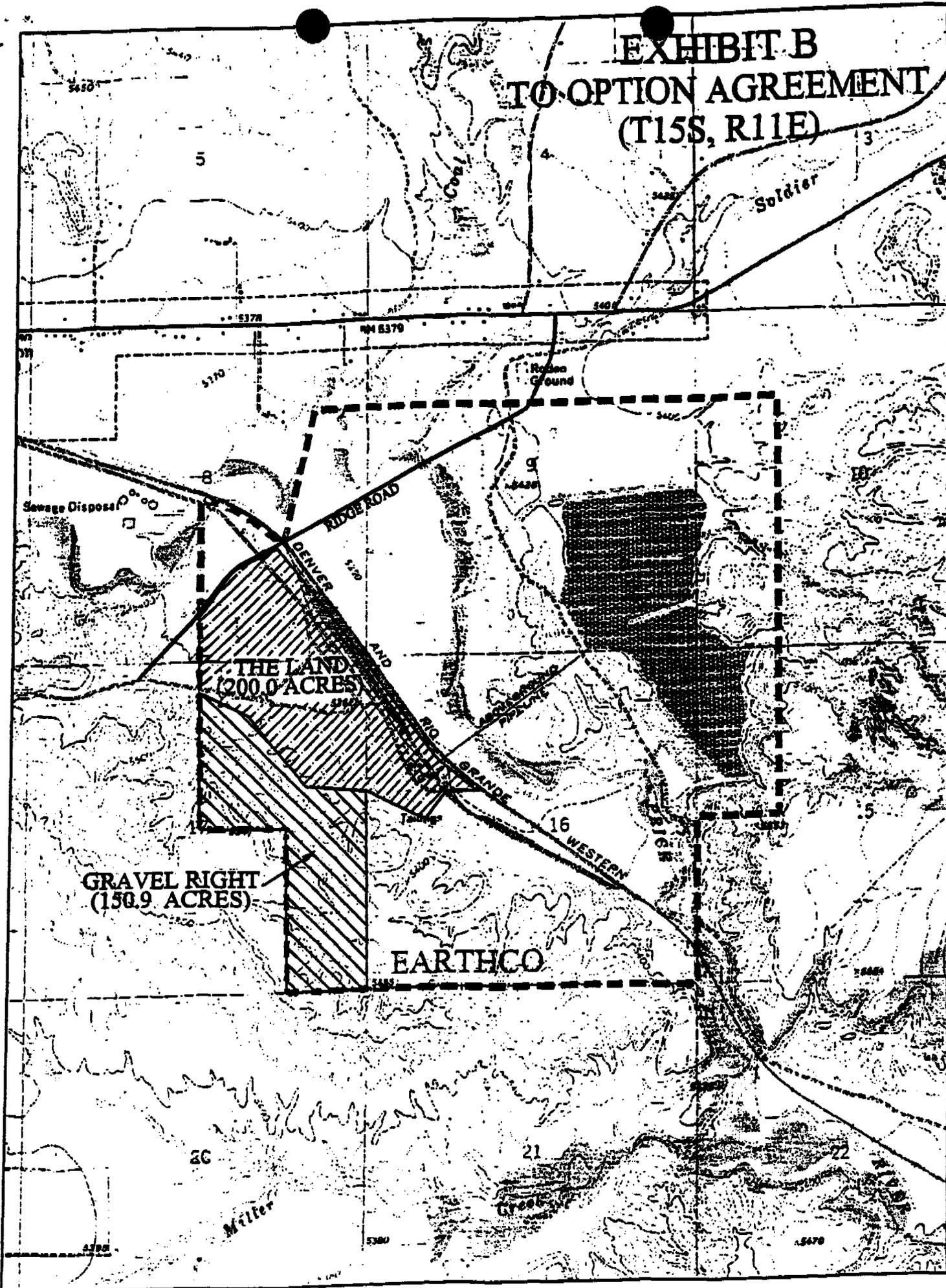
A parcel of land located in Sections 8-17-16, Township 15 South, Range 11 East of the Salt Lake Base & Meridian, Carbon County, Utah and being more particularly described below:

Beginning at the North Quarter corner of Section 17, Township 15 South, Range 11 East of the Salt Lake Base & Meridian; running thence along the Center Section line South $00^{\circ}53'40''$ East 478.87 feet; thence South $63^{\circ}35'29''$ East 829.18 feet; thence South $39^{\circ}28'35''$ East 1472.54 feet; thence South $83^{\circ}59'37''$ East 1008.10 feet; thence South $64^{\circ}26'26''$ East 1091.90 feet; thence North $36^{\circ}47'56''$ East 555.99 feet; thence South $89^{\circ}58'22''$ East 478.71 feet to the Southerly right-of-way of the Southern Pacific Railroad; thence along said line the following four (4) calls; thence North $51^{\circ}23'21''$ West 749.63 feet; thence North $41^{\circ}37'15''$ West 234.45 feet; thence North $37^{\circ}49'09''$ West 3702.64 feet; thence North $40^{\circ}12'57''$ West 456.88 feet to the Easterly line of Ridge Road; thence along said line the following three (3) calls; thence South $63^{\circ}25'08''$ West 691.51 feet; thence South $48^{\circ}55'08''$ West 125.19 feet; thence South $34^{\circ}25'08''$ West 844.24 feet; thence South $00^{\circ}53'41''$ East 712.95 feet to the point of beginning.

Containing 200.0 acres, more or less.

The foregoing description is based upon map information available at the Effective Date and will be conformed to reflect actual field survey results prior to the closing.

EXHIBIT B TO OPTION AGREEMENT (T15S, R11E)



**THE LAND
(200.0 ACRES)**

**GRAVEL RIGHT
(150.9 ACRES)**

EARTHCO

RIDGE ROAD

DENVER

AND

RIO GRANDE

WESTERN HIGH

SOLDIER

MILLER

**Rocky Mountain
Coal Field**

Rabbit Ground

Sewage Disposal

20

21

22

5170

5

4

3

8

16

5

2430

2440

2420

2400

5370

5370

5370

5380

5380

5470

UNION PACIFIC RAILROAD COMPANY

K. R. (KEN) WELCH
Assistant Vice President
Environmental Management



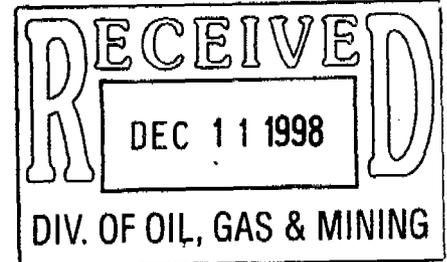
S. W. (STEVE) BERKI
Director Environmental Systems
R. L. (RICK) EADES
Director Site Remediation
W. E. (BILL) ROE
Director Safety, Health, Environmental

Mailing Address:
Room 930
1416 Dodge Street
Omaha, Nebraska 68179
Fas (402) 271-4461

Directors Environmental Field Operations
B. A. (BROCK) NELSON - Northern Region
L. A. (LANNY) SCHMID - Western Region
G. (GLENN) THOMAS - Southern Region

File: Wellington, Utah
Environmental

Utah Department of Natural Resources
Division of Oil, Gas and Mining
1549 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801



Re: Public Notice, Wellington Preparation Plant (ACT/007/012)

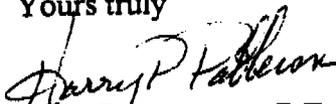
To Whom It May Concern:

Reference ANDALEX Resources, Inc.'s letter of October 21, 1998, concerning the Wellington coal plant in Carbon County, Utah

Please be advised that Union Pacific Railroad is working closely with ANDALEX Resources, Inc. Regarding plans for a coal storage, handling and loading structure to be located at the Wash siding, mile post 611, near Wellington, Utah.

The Union Pacific Railroad is in concurrence with the postmining land use change and reclamation bond reduction for this site as requested by Nevada Electric Investment Company proposed in the public notice dated October 20, in the Sun Advocate newspaper of record. You may contact me at (402) 271-4078 if you have comments, questions or concerns.

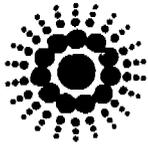
Yours truly


Harry P. Patterson, P.E.

Manager Environmental Field Operations

CC: Andalex Resources, Inc.
Box 902
Price Utah 84501

Steve Berki
Don Nelson - Marketing UPRR



ANDALEX
RESOURCES, INC.

P.O. BOX 902
PRICE, UTAH 84501
PHONE (435) 637-5385
FAX (435) 637-8860

October 21, 1998

Harry Patterson
Manager, Environmental Site Remediation
Union Pacific Railroad
1416 Dodge Street, Room 930
Omaha, NE 68179-930

Dear Mr. Patterson,

ANDALEX Resources, Inc. has an interest in acquiring a property position at the old Wellington coal plant located along the Union Pacific (UP) mainline in Carbon County, Utah. This site is adjacent to the Wash siding. We are interested in this property for the purpose of constructing a new unit train coal loading facility. Nevada Electric Investment Company (NEICO), the property owner, has recently applied for approval of industrial post mining land use for the property, and also for release of the reclamation bond for the property. Enclosed for your review is a copy of the public notice of these applications as appears in the Sun Advocate, the local Price, Utah newspaper. The public notice period runs from Oct. 13 to Nov. 13, followed by an additional 30 day public comment period.

Please note that the boundary of industrial post mining land use/reclamation bond release area includes a small incursion within the UP right-of-way, around the out slopes of an existing sediment pond. This sediment pond, known as the "dryer pond", is located on the south side of the mainline track at milepost 610.90. The existence of this sediment pond is covered under a contract (No 31027) issued by the Southern Pacific in June 27, 1994. A copy of this contract is included herein for your review.

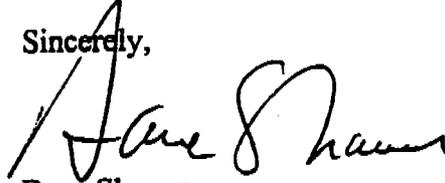
The purpose of this letter is to inform the UP Railroad of NEICO's application for industrial post mining land use and reclamation bond release, and that these applications involve a small area within the UP right-of-way, specifically, the extent of the out slopes of the aforementioned dryer pond. If you wish to comment on these applications please send comments to:

Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801
ATTN: Mary Ann Wright
Associate Director of Mining

Harry Patterson
Union Pacific Railroad
Page Two

If you have any questions regarding this matter please call me at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Shaver". The signature is written in a cursive style with a large initial "D".

Dave Shaver
Manager, Technical Service

cc: Dennis Schwehr, NEICO
Dick Rauschmeier, UPRR
Keith Christensen, UPRR
Mary Ann Wright, UDOGM
Patrick Collins, Mt. Nebo Scientific

Southern Pacific Transportation Company

P.O. Box 5482 • Denver, Colorado 80217
REAL ESTATE DEPARTMENT

June 27, 1994
Contract No. 31027

Mr. R. Jay Marshall, P.E.
Castle Valley Resources, Inc.
P. O. Box 1420
Huntington, Utah 84528

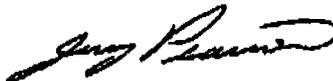
RE: Castle Valley Resources Dryer Pond

Dear Mr. Marshall:

Attached hereto is your fully executed copy of Contract No. 31027, covering expansion of the above mentioned dryer pond opposite Mile Post 610.90 at Wash, Utah.

In any future reference to this agreement, please refer to both the contract number and the mile post location.

Yours truly,



Mr. J. Pearson
Asst. Manager of Contracts
Eastern Region

CC: O. Miera

Attachment:

CONTRACT NO.

31023

AGREEMENT

THIS AGREEMENT, made and entered into this 2nd day of November, 1992, by and between THE DENVER AND RIO GRANDE WESTERN RAILROAD COMPANY, a Delaware corporation, hereinafter referred to as "Licensor", party of the first part, and the CASTLE VALLEY RESOURCES, INC., a municipal corporation of the State of Nevada, mailing address: 6000 East Wash Plant Road, Wellington, Utah 84642, hereinafter referred to as "Licensee", party of the second part.

WITNESSETH:

WHEREAS, there exists a dryer sediment pond at the Wellington Wash Plant adjacent to the Licensor's trackage opposite Mile Post 610.90 at Wellington, Carbon County, Utah, and

WHEREAS, the Licensee in order to meet the required Utah Department of Oil, Gas and Mining (DOG M) and U. S. Office of Surface Mining (OSM) regulations for a 10 year 24 hour storm runoff, desire to expand the existing dryer pond to meet the 10 year 24 hour runoff requirements, and

WHEREAS, the Licensee has requested permission for the Licensor to widen the existing dryer pond, and

WHEREAS, the Licensor is agreeable upon the terms and conditions herein set forth.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties hereto promise and agree as follows:

1. The Licensee will not disturb the existing railroad embankment. The expansion will consist of a shallow excavation (about 2 feet deep) to provide a flood plain elevation of 5334.5 feet. (i.e. 0.3 feet higher than The Denver and Rio Grande Western Railroad culvert outlet flow line).

2. The Licensee agrees to clean existing railroad culvert, clean and maintain the tail ditch to the price river, and maintain the sediment pond, providing sediment removal as needed as a condition to the enlargement of the dryer pond and the draining of the same through the existing railroad culvert.

Ponding will only occur in direct response to a storm event and should be discharged through the facility in less than about 48 hours.

3. Upon execution hereof, Licensee shall pay Licensor FOUR HUNDRED FIVE AND NO/100 DOLLARS (\$405.00), partially to defray the cost of handling.

4. The Licensee shall notify the Licensor at least 48 hours in advance of the commencement of any work upon said right of way in connection with the construction, maintenance, repair, extension, renewal or reconstruction of the dryer pond except in cases of emergency when work is necessary to avert loss or damage to the property of the Licensor.

In addition to other provisions of this Agreement requiring Licensee to give 48 hours notice prior to commencing work. The Licensee shall telephone Licensor at 1-800-283-4237 (a 24 hour number) to determine if a telecommunications system is buried anywhere on or about the premises defined or included herein. If it is, Licensee will telephone the owner of the system designated by Licensor, arrange for a cable locator and make arrangements for relocation or other protection for the system prior to beginning any work on the said premises.

5. Licensee, at Licensee's expense, shall comply with all applicable laws, regulations, rules and orders with respect to the use of the Premises, regardless of when they become or became effective, including, without limitation, those relating to construction, grading, signage, health, safety, noise, environmental protection, waste disposal, and water and air quality, and shall furnish satisfactory evidence of such compliance upon request of Lessor.

Should any discharge, leakage, spillage, emission or pollution of any type occur upon or from the Premises due to Licensee's use and occupancy thereof, Licensee, at Licensee's expense, shall clean all property affected thereby, to the satisfaction of Licensor (insofar as the property owned or controlled by Licensor is concerned) and any governmental body having jurisdiction thereover.

Licensee shall indemnify, hold harmless, and defend Licensor from and against all liability, claim cost or expense (including, without limitation, any fines, penalties, judgments, litigation costs, attorney's fees, and consulting, engineering and construction costs) incurred by Licensor as a result of Licensee's breach of this section, or as a result of any such discharge, leakage, spillage, emission or pollution, regardless of whether such liability, cost or expense arises during or after the Agreement Term and regardless of whether such liability, cost or expense is caused or contributed to by the negligence, active or passive, of Licensor.

IN WITNESS THEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers the day and year first hereinabove written.

THE DENVER AND RIO GRANDE WESTERN
RAILROAD COMPANY

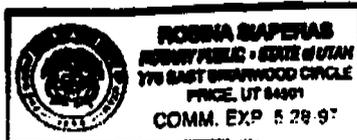
By: *E.P. Ruddy*
Title: Vice President

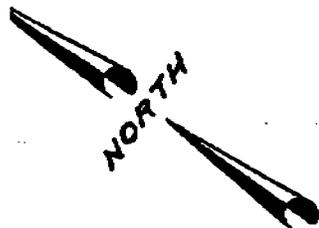
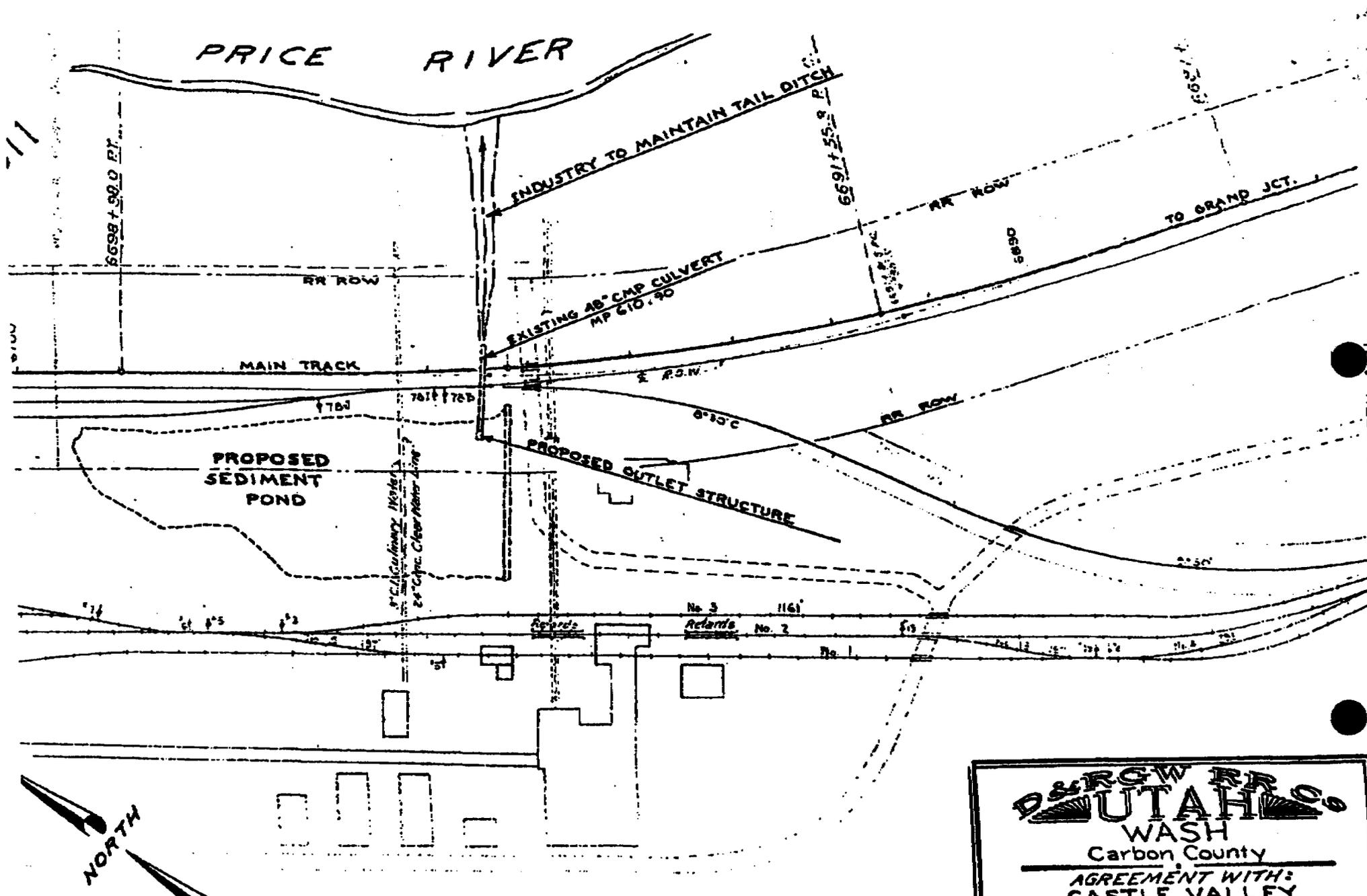
ATTEST:

CASTLE VALLEY RESOURCES, INC.
GENWAL COAL COMPANY

By: *Robin Saperas*
Secretary

By: *Allen Elds*
Title: President





COMPANY

D & R G W
UTAH
 WASH
 Carbon County

AGREEMENT WITH:
**CASTLE VALLEY
 RESOURCES, INC.**

SCALE: 1" = 100'	DATE: 9-14-92
BRANCH: MAIN TRACK	VAL SEC. U-1-A
M.P. 610.90	MAP NO. 115-3722
DRAWN BY: JRE	ROUTE NO. W
per: JP	DWG. NO. W-340

MT. NEBO SCIENTIFIC 8014896937 P-91

**PUBLIC NOTICE TO BE PUBLISHED IN THE SUN ADVOCATE
FOR THE WELLINGTON PREPARATION PLANT (ACT/007/012)
(submitted October 8, 1998)**

Notice is hereby given that Nevada Electric Investment Company ("NEICO"), permittee, and EarthCo, Inc., operator, of the Wellington Preparation Plant (Permit No. ACT/007/012) are submitting applications for postmining land use change and bond reduction to the State of Utah, Division of Oil, Gas & Mining. The permittee's address is 6226 West Sahara Ave., Las Vegas, Nevada, 89146. The permit area is located at 6000 Wash Plant Road, City of Wellington, Carbon County, Utah. A total of 332.04 acres, more or less, will be affected. The a legal description of the affected area is given below.

A parcel of land located in Sections 8-17-16, Township 15 South, Range 11 East of the Salt Lake Base & Meridian, Carbon County, Utah and being more particularly described below. The disturbed acres within this parcel are most applicable.

Beginning at the North Quarter corner of Section 17, Township 15 South, Range 11 East of the Salt Lake Base & Meridian; running thence along the Center Section line South 00°53'40" East 2640.25 feet; thence North 89°53'13" East 1355.80 feet; thence South 01°44'21" East 1528.24 feet; South 69°10'51" East 870.85 feet; thence North 58°56'04" East 591.59 feet; thence North 01°44'21" West 716.07 feet; thence North 36°25'44" West 449.43 feet; thence North 05°15'15" East 553.08 feet; thence North 32°57'55" East 474.25 feet; thence South 64°26'26" East 986.34 feet; thence North 36°47'56" East 555.99 feet; thence South 38°59'51" East 161.20 feet; thence along the arc of a 450 foot radius curve 196.59 feet concave Northeast (chord bears South 49°56'46" East 195.03 feet); thence South 62°27'41" East 2831.09 feet to the Southerly right-of-way of the Southern Pacific Railroad; thence along said line the following two (2) calls; thence North 55°39'20" West 2764.26 feet; thence North 51°23'21" West 749.63 feet; thence North 00°45'39" West 94.30 feet following along the Southeastern outslope of the "Dryer Sedimentation Pond"; thence North 45°09'04" West 567.03 following along the Northeastern outslope of the "Dryer Sedimentation Pond" to the Southerly right-of-way of the Southern Pacific Railroad; thence along said line the following two (2) calls; thence North 37°49'09" West 3298.93 feet; thence North 40°12'57" West 456.88 feet to the Easterly line of Ridge Road; thence along said line the following three (3) calls; thence South 63°25'08" West 691.51 feet; thence South 48°55'08" West 125.19 feet; thence South 34°25'08" West 844.24 feet; thence South 00°53'47" East 705.19 feet to the point of beginning. (The foregoing description is based upon map information available at the Effective Date).

DEMOLITION, DISPOSAL & GRADING

Main Plant	520006
Track Hopper and Raw Coal Conveyor	318934
Heat Dryer & Conveyor	110321
Coarse Refuse Bin	2272
Office Building	24518
Storehouse	24254
Shop	24254
Coal Carbonization Lab	9192
Fuel Storage	28424
Plant Pumphouse	12795
Sand Hopper	17606
Substation	26570
Plant Railroad	106547
Powerline - w of Price River	3454
Natural Gas Pipeline	1857
Pavement	108147
Asbestos removal and disposal	43766
Road Pond	2347
Heat Dryer Pond	149
Site Grading w. of Price River	35813
Total Demolition & Grading	1426837
Indirect Costs (35%)	499393
TOTAL	1918655

The application for postmining land use change is being sought under the provisions of R645-301-413.300 and R645-301-413.300. The postmining land use is being changed from "undeveloped land with limited grazing" to "industrial".

The application for bond release for the same area at the Wellington Preparation Plant under the provisions of R645-301-880 is also being sought. The type of bond is a Surety Bond with a total amount of \$4,989,000. The disturbed areas, structures and amounts to be released from the bond for reclamation accomplished in 1997-98 are given in this notice.

Revisions can be reviewed at the address given below. Pertinent comments are solicited from anyone affected by this proposal. Such comments should be filed within the next thirty (30) days to the address below.

STATE OF UTAH
Department of Natural Resources
Division of Oil, Gas & Mining
1594 West No. Temple, Suite 1210
Salt Lake City, Utah 84114-5801

Published in the Sun Advocate October 13, 20, 27, and November 3, 1998.

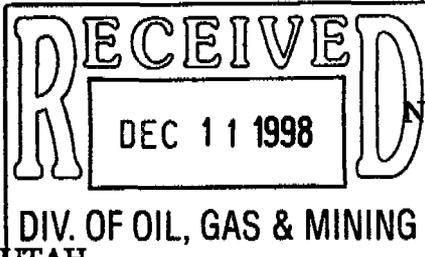


CARBON COUNTY

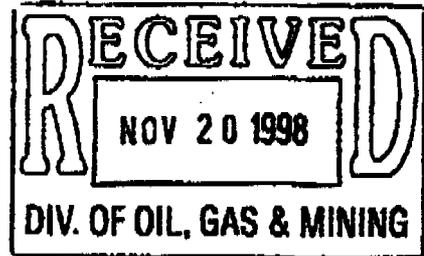
120 EAST MAIN, PRICE, UTAH, 84501

(435)-636-3200 FAX: (435)-636-3210

STRENGTH THROUGH DIVERSITY



November 18, 1998



STATE OF UTAH

Department of Natural Resources
Division of Oil, Gas & Mining
1594 West No. Temple, Suite 1210
Salt Lake City, Utah 84114-5801

Copy Mary Ann, Paul, Aaron
ACT/007/012 # 2

Dear Sirs:

The Carbon County Commission is closely following the plans of ANDALEX Resources for a coal train loading facility at the old US Steel coal wash plant area near Wellington. Carbon County strongly supports ANDALEX and its future expansion plans at the Westridge mine and at the Wellington plant site also. Coal development is vital to Carbon County and the Westridge proposal is one of the most important new coal projects for our county's future well being.

The Division of Oil, Gas and Mining should to do all in its power to approve the industrial land use for the old US Steel Wellington Plant location and allow ANDALEX to pursue its plans there. We look forward to seeing the re-birth of this area as a jobs-producing industrial site.

Sincerely,

William D. Krompel

William D. Krompel
Commissioner

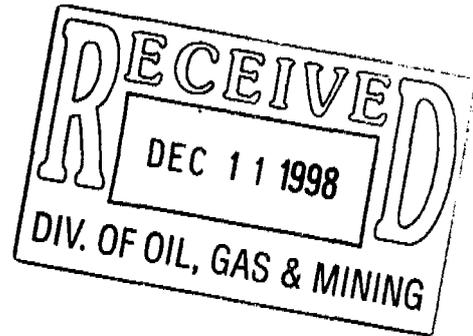


ANDALEX
RESOURCES, INC.
Tower Division

P.O. BOX 902
PRICE, UTAH 84501
PHONE (801) 637-5385
TELECOPIER (801) 637-8860

October 21, 1998

Mary Ann Wright
Associate Director of Mining
Department of Natural Resources
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801



RE: Wellington Coal Plant site, ACT 007/012:
industrial post mining land use
reclamation bond release
permit boundary adjustment.

Mary Ann
Dear Ms. Wright,

As you are aware ANDALEX Resources, Inc. is interested in acquiring a parcel of land at the old Wellington wash plant in Carbon County. This site is a viable location for a new unit train coal loading facility which will be constructed in association with our new WEST RIDGE coal mine project. This WEST RIDGE project and the new unit train loadout will be jointly owned by ANDALEX Resources and the Intermountain Power Agency (IPA). Recently we signed a 120 day option agreement with Nevada Electric Investment Company (NEICO) and Earthco to purchase a 200 acre area within the Wellington site. This 200 acre area is hereinafter referred to as the "property". The option agreement also includes the right to acquire gravel material from an additional 132 acre area within the site. Collectively, the combined 332 acre area is our "area of interest."

According to the terms of our option agreement, NEICO must do the following as a prerequisite to our purchase of the property:

- a) Complete the required reclamation within the property to DOGM's satisfaction
- b) Release the SMCRA bonding liability from the property, and
- c) Remove the 332 acre area of interest out of the SMCRA permit area

We are working in close cooperation with NEICO on a plan to accomplish the above objectives. Also, we have had numerous meetings with DOGM officials and technical staff to

determine what steps must be taken to effect bond release and permit area removal. These steps include on-site reclamation items as well as administrative and MRP procedural items. Based on these discussions I would like to summarize these items to the best of our understanding.

On-site reclamation items:

- a) **Drainage:** A berm will be constructed to provide a definite boundary for surface runoff, separating the property from the rest of the site. All runoff from the disturbed portion of the area of interest will report to the "dryer pond" located within the property. All other surface runoff from disturbed areas outside the property will bypass the property and will report to an existing pond located near the refuse pile.
- b) **Structure removal:** Remaining structures within the property will be removed, including wooden pole structures and metal structures. Concrete will be removed or buried within the disturbed areas. Structure removal will be done according to the discussions of the on-site meeting held recently with the DOGM's full review staff.
- c) **Grading:** The plant area would be graded to allow positive drainage to the existing sediment pond (dryer pond). Grading would also be done to enhance the overall appearance of the site and to provide for adequate concrete burial.
- d) **Trash removal:** Trash would be removed from the property.
- e) **Track hopper:** The track hopper will be cleaned up and left in place to be used as the primary water sump for the new loadout operation. As part of the option agreement with NEICO, 0.15 cfs of water (under Utah water right 91-254) would be acquired allowing future use of this sump for industrial purposes.
- f) **Topsoil:** Topsoil piles #1 and #2 are both located within the property. Topsoil from these piles would be relocated and combined with the main topsoil pile (#3) located immediately south of the refuse pile.
- g) **Coal material:** For reclamation purposes the coal material located at the old plant site would be graded to accommodate proper drainage and to present a more pleasing appearance. However, during construction of the new loadout facilities ANDALEX would commit to utilize much of this coal material as pad material for the new coal storage piles. For ANDALEX, this coal represents an asset, rather than a liability. When the new facility is constructed there will be two large coal storage pads required, each measuring approximately 5 acres. There will also be two emergency coal storage areas located within the interior of the truck loops, each involving nearly 6 acres. All of these areas will eventually require a coal pad working surface. Assuming an average depth of

6", nearly 18,000 yd³ of coal material may be needed to construct these pad surfaces. This amounts to approximately 12,000 tons. Economically, it is clearly to ANDALEX's benefit to utilize as much of the existing coal material as possible for the new pad surfacing rather than sacrifice salable, high quality coal from the mine for this purpose.

The existing coal material is located at the old plant area which is the lowest area of the property. It is ANDALEX's intent that this area would ultimately be utilized as the sediment pond for the entire 200 acre industrial site for the life of the new facility. During construction of the loadout facility a substantial earthen impoundment structure would be constructed around the west, north and east sides of the old plant area, effectively turning the area into a large shallow sediment pond. Nearly all of the remaining coal material in this area would then be contained harmlessly within the confines of the pond permanent impoundment.

Administrative items:

- a) **Hydrology:** The maps and text in the MRP will be amended to reflect the new drainage berm and the new disturbed area drainage boundaries.
- b) **Topsoil piles:** The maps and text in the MRP will be amended to show topsoil piles #1 and #2 as being relocated off the property to the main pile (#3) south of the refuse pile.
- c) **Topsoil borrow areas:** Under the present MRP topsoil located on top of several small knolls south of the property has been dedicated to reclamation of the refuse pile and the slurry pond. In order to remove this area from the permit it is necessary to find an alternate topsoil borrow source to replace the knolls. Recent soil tests have shown that an adequate quantity of suitable topsoil material exists on top of the ridge behind (south of) the knolls. The maps and text of the MRP will be amended to include this new ridge topsoil borrow area, and to exclude the knoll tops south of the property.
- d) **Designation of post mining land use:** In accordance with the Utah Coal Regulations, NEICO will apply for approval of an industrial post mining land use for the area of interest and will amend the MRP accordingly. As part of this industrial land use application ANDALEX is willing to provide the following documentation to the DOGM:
 - i. Correspondence with the Union Pacific Railroad and the Burlington Northern Santa Fe Railway informing them of our option to construct a loadout on the property and requesting approval of the industrial loop track which has been designed for the site.

- ii. Air quality permit applications filed with the Utah Department of Environmental Quality.
 - iii. Application for a Conditional Use Permit for a Large-Scale Industrial Project from the Carbon County Commission, in accordance with section 5-3 of the Carbon County development code.
 - iv. Option purchase agreement with NEICO/Earthco, outlining the industrial nature of ANDALEX's intent for the property, including transfer of industrial water from the track hopper sump.
 - v. Detailed engineering design for the facility prepared by Production Industries Inc. (PICOR). This detailed engineering is now being used as the basis for preparing the RFP's which will be used in selecting a contractor to construct the facility.
 - vi. In addition, ANDALEX is willing to provide to DOGM a commitment that during construction of the facilities, the old plant area will become the main sediment pond for the site, and the coal material presently existing at the site will become contained within the new pond, or will be used to construct the new coal pads for the new loadout. This commitment can be provided in whatever form is most acceptable to the division.
- e) Bond release: At the same time that NEICO applies for approval of an industrial post mining land use for the area of interest, it will also apply for phase III release of the reclamation bond for that area. It is possible that the Division may require that ANDALEX commit to exercise its purchase agreement with NEICO as a requirement for bond release. This may be acceptable to ANDALEX so long as there is a structural agreement in place which provides that, at the time of purchase commitment, the bond would then be release simultaneously, assuming all on-site reclamation requirements and MPR amendments had been completed to DOGM's satisfaction at the time. Since reasonable assurance of a bonafide industrial user and industrial use of the property is one of DOGM's requirements for bond release, and since bond release is one of the requirements for ANDALEX's purchase agreement, the two may be done simultaneously in some sort of legal escrow agreement.
- f) Permit boundary modification: Our option agreement with NEICO specifically requires that the area of interest be removed from the SMCRA permit prior to purchase. Based on previous discussions with DOGM, it is our understanding that once the reclamation requirements have been released from the area of interest, the MRP could then be amended to allow the area of interest to be removed from the permit, and that approval of

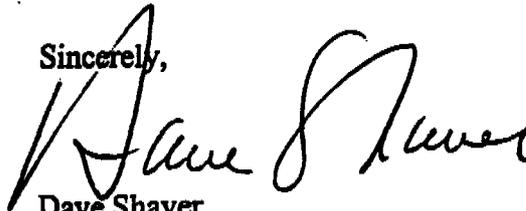
Mary Ann Wright
Division of Oil, Gas and Mining
Page Five

such boundary adjustment would be granted expeditiously.

We feel that the Wellington site is particularly well suited for an industrial facility such as we are proposing, and that this plan satisfies the reclamation mandates of the Utah coal program. We wish to express our gratitude to DOGM's administrators and staff for your good faith efforts regarding this matter.

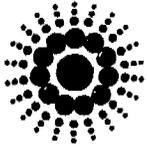
If you have any questions or comments regarding this plan of action please call me at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Shaver". The signature is written in a cursive style with a large initial "D".

Dave Shaver
Manager, Technical Services

cc: Dennis Schwehr, NEICO
Patrick Collins, Mt. Nebo Scientific

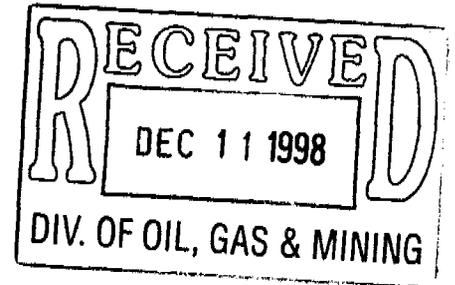


ANDALEX
RESOURCES, INC.

P.O. BOX 902
PRICE, UTAH 84501
PHONE (435) 637-5385
FAX (435) 637-8860

November 19, 1998

Utah Division of Oil, Gas & Mining
1594 West No. Temple, Suite 1210
Salt Lake City, Utah 84114-5801
Attn: Mary Ann Wright



Dear Ms Wright,

ANDALEX Resources, Inc. would like to respond to the public notice wherein Nevada Electric Investment Company (NEICO) has applied for approval of an industrial post mining land use and bond release for a 332 area of the Wellington Preparation Plant, Act 007/012. As you are aware ANDALEX has an option agreement with NEICO to purchase a 200 acre area of the site covered under the pending land use/bond release applications. This site is one of three sites which we are considering for a new multimillion dollar, state-of-the-art unit train coal loading facility. The construction budget for this project has been approved by the Board of Directors and detailed design engineering is well underway.

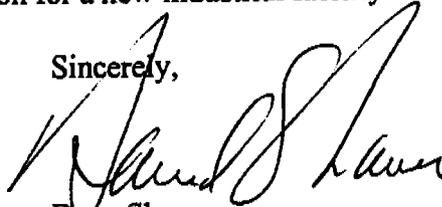
Based on a recently completed economic evaluation we have concluded that the NEICO site is our favored location for the loadout facility. However, we cannot consider this as a viable site unless and until the area is released from bond liability and removed from the existing SMCRA permit area. If we cannot pursue this site we will have no choice but to pursue one of our other two options. Both of these alternate sites are located in prime farmland areas in close proximity to residential areas. Clearly, from an environmental stand point, the NEICO site is the most suitable site for a new large-scale industrial facility. Due to the aggressive schedule of the WEST RIDGE project we have been instructed by our board to make a final site selection by the end of December so that construction can begin by April, 1999.

We are working diligently with NEICO to accomplish the necessary on-site reclamation work and MRP amendments in a manner consistent with DOGM's regulatory requirements. We believe that the site has now been reclaimed to a standard that will accommodate an industrial use such a coal loading facility. We believe that no other area within the central Utah coal fields is a more suitable industrial site. We also believe that ANDALEX Resources, Inc. and our partner Intermountain Power Agency (IPA), have sufficiently demonstrated our long-term commitment to the economic well being of Central Utah and the serious nature of our proposal for the NEICO site. We also believe that DOGM has the regulatory authority to approve the industrial use/bond release for area in its present reclaimed condition.

Mary Ann Wright
Utah Division of Oil, Gas & Mining
Page Two

We urge the Division to move expeditiously to approve this request. Utilization of the NEICO site is a common sense plan that is consistent with the reclamation objectives of the Division, and is obviously a prime location for a new industrial facility.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Shaver". The signature is written in a cursive style with a large, sweeping initial "D".

Dave Shaver
Manager, Technical Services

Li