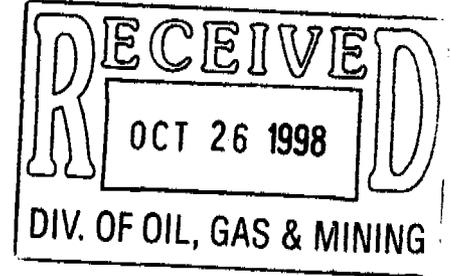


ANDALEX
RESOURCES, INC.

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.

ACT/007/0/2 #2
Copy Mary Ann, Darwin
Paul

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.

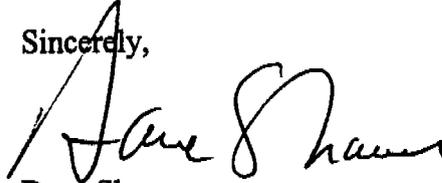
The purpose of this letter is to inform the UP Railroad of NEICO's application for industrial post mining land use and reclamation bond release, and that these applications involve a small area within the UP right-of-way, specifically, the extent of the out slopes of the aforementioned dryer pond. If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

**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.

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

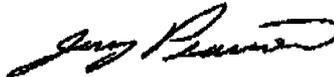
RE: Castle Valley Resources Dryer Pond

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. 31027

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 84542, 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

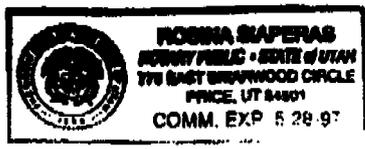
By: *E.P. Reilly*
Title: Vice President

ATTEST:

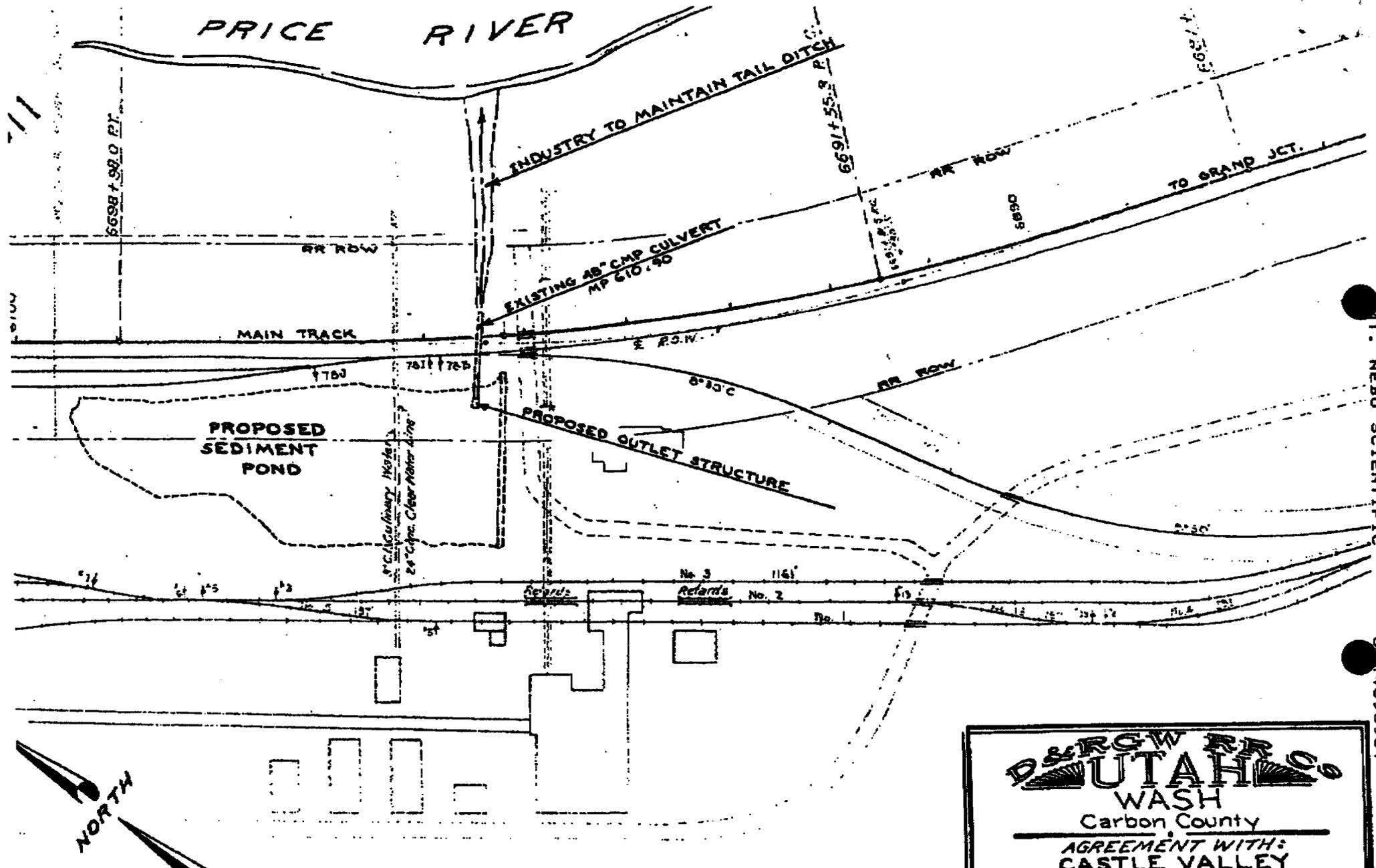
CASTLE VALLEY RESOURCES, INC.
GENWAL COAL COMPANY

By: *Quinn Simpson*
Secretary

By: *Allen Aldrich*
Title: President



PRICE RIVER



**PROPOSED
SEDIMENT
POND**

**EXISTING 48" CMP CULVERT
MP 610.90**

PROPOSED OUTLET STRUCTURE

INDUSTRY TO MAINTAIN TAIL DITCH

TO GRAND JCT.

NORTH

COMPANY

<p>D & R G W WASH Carbon County</p>	
<p>AGREEMENT WITH: CASTLE VALLEY RESOURCES, INC.</p>	
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

T. NEBO SCIENTIFIC

821 4896937

P. 91