



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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Michael O. Leavitt
Governor
Lowell P. Braxton
Division Director

July 21, 1998

Mr. Bruce N. Lemons, Esq.
Holland & Hart, Attorneys At Law
215 South State St., Suite 500
Salt Lake City, UT 84102

Re: Final Bond Release for a Portion of the Wellington Preparation Permit, Wellington Preparation Plant, NEICO, ACT/007/012, Folder #2, Carbon County, Utah

Dear Mr. Lemons:

Pursuant to our conversation of July 15, 1998, I have enclosed the most recent correspondence between the Division of Oil, Gas and Mining and EARTHCO concerning a final bond release for a portion of the Wellington Preparation Plant.

By way of background, the bond is a "reclamation bond" designed to ensure reclamation of disturbances related to "coal mining and reclamation operations", as defined by regulations of the Utah Coal Regulatory program at R645-100. The statutory authority for this program is found at Title 40-10, UCA.

Acquisition of a coal mining and reclamation permit from the Utah Coal Regulatory program is a detail driven process. In the case of the Wellington Preparation Plant, the permittee is Nevada Electric Investment Company (NEICO), and EARTHCO is serving as an operator and an agent of NEICO to facilitate modification of the mining and reclamation plan. This modification would allow a change in post mining land use for a specified portion of the permit's disturbed area from wild life and grazing to an industrial use. EARTHCO has made significant progress in the approval process that would allow this desired change. The February 19, 1998 letter from Ms. Grubaugh-Littig to Mr. Traweek outlines deficiencies in the proposed permit modification, that, if appropriately addressed, will allow modification of the post mining land use to "industrial", and will result in bond release and release of other liabilities under the Coal Regulatory Program for the specified portions of the permit.

Resolution of the issues listed in Pam Grubaugh-Littig's letter will require an understanding of details in the current mining and reclamation plan for Wellington, and an understanding of our regulatory process. If you plan to represent EARTHCO in this process, I

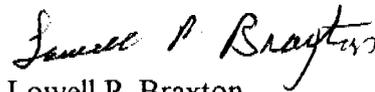
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Mr. Bruce N. Lemons, Esq.
July 21, 1998

suggest you meet with Pam, and discuss your involvement in bringing the issues in her February 19, 1998 letter to closure. Pam may be contacted at (801) 538-5268. Pam's immediate supervisor is Mary Ann Wright, Associate Director of Mining, (801) 538-5306.

I am confident that given a serious effort, the issues impeding this bond release effort can be resolved.

Sincerely,



Lowell P. Braxton
Acting Director

ca

Enclosures

cc: Doug Foxley
Mary Ann Wright
Pamela Grubaugh-Littig

p:braxton\coal\welbond.wpd



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February 19, 1998

Steve Traweck, Resident Agent
EARTHCO
1179 East Main Street, #104
Price, Utah 84501

Re: Bond Release Deficiencies to Be Addressed for Bond Release, Nevada Electric Investment Company, Wellington Preparation Plant, ACT/007/012 - 97BR, Folder #4, Carbon County, Utah

Dear Mr. Traweck:

Pursuant to the bond release inspection conducted on December 23, 1997, several deficiencies have been identified. The purpose of this inspection was to evaluate portions of the disturbed area of the Wellington Preparation Plant for final bond release. The land use for the areas proposed for bond release has been changed to industrial, and the permittee (NEICO) and operator (EARTHCO) are proposing to leave various facilities for this use. These facilities are: the coal track hopper, the sand hopper, the road leading to the plant, the railroad spur, and electric and gas lines. Following are the deficiencies that must be addressed:

- Facilities - During the inspection, a crew was working to finish demolition of the dryer building and remove waste material from the area proposed for bond release, mostly concrete remains. The text of the operation and reclamation plan states this material will be buried at least two feet deep, and this could be done in the area that will still be bonded. This work must be completed prior to bond release.
- Sediment Pond (Dryer Pond) - The reclamation plan must incorporate necessary changes to allow for the removal of the sediment pond from the disturbed area. The UPDES permit must be transferred to the company using the facilities and a new discharge point permitted for the Wellington Preparation Plant.
- Track Hopper - This facility is not reclaimed but is proposed to be retained for use as part of the industrial site and must be left in a useable condition. According to R645-301-413.100, the uses must be restored to the conditions capable of supporting the previous use or a higher and better use. This area is in a condition where additional maintenance is necessary to provide a functioning facility. This information must be incorporated into the reclamation plan.

This track hopper building acts as a sump for ground water. The water rights to this sump must be transferred or otherwise addressed as necessary to meet the postmining land use. (Water

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ACT/007/012-97BR

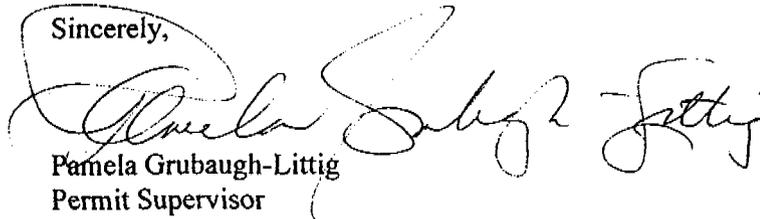
Bond Release Deficiencies

associated with this sump was previously used for road watering.)

- Soils - Relocation of the stockpiled soil needs to be addressed in the bond release application and must be documented in the Mining and Reclamation Plan, Section 2.31. Soil stockpiles must be relocated to a central soil stockpile storage location prior to bond release.
- * An updated bond release map must be submitted detailing the exact area associated with this bond release.
- * A document identifying the future owner and future use of this area as an "industrial" site must be submitted. Bond release can occur when the postmining land use of "industrial" has been achieved.

Please respond to these deficiencies in the form of changes to the Wellington Preparation Plant mining and reclamation plan. If you have any questions, please call me at 801-538-5268.

Sincerely,



Pamela Grubaugh-Littig
Permit Supervisor

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cc:

Patrick Collins

Paul Baker

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