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State of Utah

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M E M O R A N D U M

TO: Jeff Burks
FROM: Jahan Bani
DATE: December 3, 1998
RE: Status of Willow Creek Coal Mine of Cyprus Plateau

ACT/007/038
#2

On Wednesday afternoon of November 25, 1998, there was a fire in the longwall section of Willow Creek mine. Consequently the portals to the mine were closed to bring the fire under control.

Cyprus Plateau opened the Willow Creek mine at the close of 1996 and even produced a small amount of coal from the mine. At the time, about 45 miners from Star Point mine of Cyprus Plateau which is located east of Wattis were transferred to the new mine.

Development work continued during 1997 with an average of 200 miners, most of whom had been transferred from Star Point mine to Willow Creek. In 1997 the new mine produced 447,000 tons of clean coal (the actual raw coal was 651,000 tons). During the first nine months of 1998, development work continued with a similar number of miners producing an average of 70,000 tons of clean coal per month. In October the longwall panel started production and 210,000 tons of coal was produced in that month. In November, longwall production continued at the 330,000 tons per month level until the 25th of the month when the fire broke out in the mine.

The mine is closed but the company has some bore holes into the mine to monitor the air composition within the mine.

All the permanent employees of the mine are either still at Willow Creek carrying out the monitoring or cleaning duties, or they have been transferred back to the Star Point mine to increase production from that mine.

Prior to opening up the Willow Creek mine in 1996, Cyprus Plateau operated the Star Point mine east of Wattis in Emery County which produced about 3 million tons of coal per year with an average work force of 260 employees.

During 1997 and 1998 (until November 25th) production from Star Point mine decreased from 3 million tons per year to the present level of one million tons per year while the production

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from Willow Creek mine was increasing to about 1.5 million tons. Willow Creek mine was scheduled to go to 5 million tons per year production level starting in 1999. While the coal production was shifting from Star Point to Willow Creek mine, some of the miners from Star Point mine were also being transferred to the Willow Creek in addition to hiring about 80 new temporary miners. Now that there is a temporary halt in production from Willow Creek mine the miners that were transferred from Star Point to Willow Creek will go back to Star Point to increase production from that mine.

On the production and distribution side, Cyprus Plateau has lost an estimated 380,000 tons of potential production for the remainder of this year from Willow Creek mine. At Star Point mine production was around 82,000 tons per month. This production level will probably be doubled for the remainder of the year. However, on the balance, production for 1998 would be 300,000 tons less than the schedule.

Cyprus Plateau intends to meet all its local and national obligations, however, it may have to curtail some of its international deliveries until such time that the production from Star Point mine in conjunctions with some local purchases, as well as draw down on the existing stockpile, could catch up with lost production from Willow Creek mine.

The permanent labor force would stay employed some temporary employees may be released to the job market.

Coal spot market will be tightened and the spot price could go up fractionally until such time that increased production by other producers exert downward pressure on the spot prices.

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