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Mary Ann FY1
CC Pam

CASTLE VALLEY SPECIAL SERVICE DISTRICT

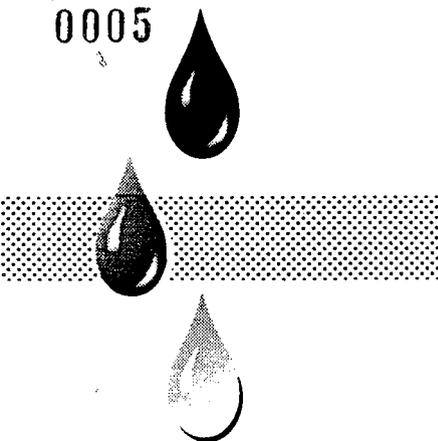
Ken
Sharon
Dave D
Jim Smith

P.O. BOX 877
CASTLE DALE, UTAH 84513
TELEPHONE (801) 381-5333

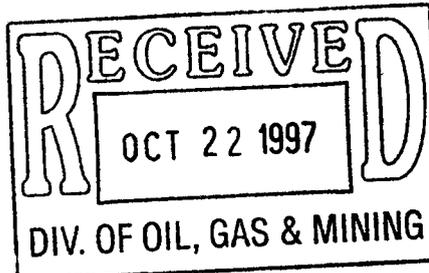
October 20, 1997

DORR W. HANSON
Chairman
DARREL V. LEAMASTER
Manager

Joe
Dave



Energy West Mining Company
P. O. Box 310
Huntington, Utah 84528



Attn: David Lauriski, General Manager

Re: Water Concerns
Little Bear Spring

ACT/015/032 #2
ACT/015/018 #2
ACT/015/019 #2

Dear Mr. Lauriski:

During the last few months the Castle Valley Special Service District and Huntington City have been examining the impacts that the planned Mill Fork Tract Lease (LBA11) might have on our Little Bear Spring. We are greatly concerned with this spring because it is the major source of water for the communities of Huntington, Cleveland and Elmo.

The main focus of our investigation has been the recharge area and flow patterns into the Little Bear Spring. Numerous theories have been presented by various hydrologic consultants. At this point we are not sure which theory is correct. However, one of the main ideas presented is that the flow is originating from a Southerly direction in Mill Fork Canyon, Rilda Canyon, and maybe even as far south as the Cottonwood Canyon area. The water is entering the ground then following faults and fractures associated with the Mill Fork Graben until it reaches the Little Bear Spring. We believe that this is a likely possibility for the recharge of the spring.

If this theory is correct, then we have a very major concern with Energy West's mining operations in their present leases #U-06039 and U-024317. These leases cover the Mill Fork Graben area with its numerous faults and fractures. Mining operations in this area could possibly interrupt or interfere with the water quality and quantity in our Little Bear Spring.

Any interruption or interference with the flow to this spring would be extremely serious for us and the 2,600 people who depend on it for drinking water.

Water Concerns Little Bear Spring

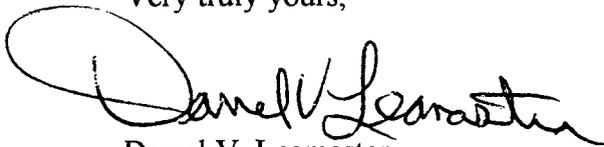
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We would like to meet with you or your employees to discuss this potential problem and its possible solutions.

Please advise us of a convenient time to meet with you.

Very truly yours,

A handwritten signature in cursive script, reading "Darrel V. Leamaster". The signature is written in black ink and is positioned above the printed name and title.

Darrel V. Leamaster

District Manager

✓cc: DOGM, Lowell Braxton
Charles A. Semborski, Energy West
Huntington City