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Dear Bill:

Enclosed is pertinent background information on the Wyoming coal mining complex which is available for purchase.

My professional colleagues and I believe the materials present a thorough picture of what we view as the most attractive coal property we have seen in our collective half-century of geological and mining experience in general, and our work with western coals in particular. We have a wealth of additional data available, and we stand ready to provide on short notice any further information which may be desired, or to answer in detail any questions which may arise in your discussions with the interested party of Taiwan Republic of China.

The total purchase price of this high-quality, strategically located coal mine - which has an assessed value of \$30,000,000, and which was developed by Union Pacific Railroad and a joint venture partner at a cost of \$50,000,000 - is only \$14.5 million, a small fraction of the original investment. This unprecedented opportunity, which is made possible because of the temporarily depressed condition of the U.S. fossil fuel industry, includes the following elements:

1. Reserves of 114,000,000 tons of premium quality, high-Btu, low-ash, low-sulfur coal.
2. The following elaborate, practically-new surface facilities, with an assessed value of over \$20,000,000.
 - (a) Approximately 8 miles of new railroad spur, with direct access to the major east-west railroad artery to both coasts.

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- (b) A unit-train loadout capable of handling 120 cars with a loading time of two to three hours.
- (c) A covered 13,000 ton capacity storage facility.
- (d) Complete conveyor systems from mine to surface.
- (e) All necessary building complexes.
- (f) Installed, readily serviceable utilities.
- (g) Operational fans, pumps and associated equipment.
- (h) Full land use and environmental permitting, which would require some 5 to 7 years to complete if the mine were developed from scratch.

Reactivation of the mine to a 25,000 ton per month production schedule would require approximately \$2 million. As markets are expanded, an additional \$10 million would enable annual production to be increased by long-wall mining methods to over 2 million tons per year at a cost of approximately \$12.50 per ton, and a selling price between \$25 to \$28 per ton. As one of the original mine owners and developers, Union Pacific Railroad can be expected to provide a preferred unit-train transportation rate for long-hauls to ocean transportation facilities and large coal users. A loyal and experienced local labor force will ensure stable and cost-effective production.

I would urge Taiwan Republic of China to give this extraordinary opportunity its most serious and earliest possible consideration. In addition to the documented value of the mine itself as a sound business investment, purchase rather than contracting for output would create a most beneficial balance of payments situation, and ownership of such large, high-quality, easily accessible coal reserves would assure Taiwan Republic of China a strong position in the world energy marketplace. An independent measure of the quality and worth of this project is the recent purchase of a coal mine in the Price, Utah area for many times the sale price of the Wyoming facility.

It also should be noted that purchase of the mining complex would enhance the already excellent working relationship which has been established between the State of Wyoming and Taiwan Republic of China.

As is understandable, a number of potential buyers have expressed great interest in the project, and a purchase agreement may be consummated in the near future. If, therefore, Taiwan

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Republic of China indicates similar interest, I respectfully suggest the most expeditious possible action on its part. A 90-day option could be obtained for a \$100,000 down payment.

I look forward to hearing good news from you soon.

Cordially,



Ted L. Hanks

TLH/lap
Enclosures



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**DETERMINED TO BE AN
ADMINISTRATIVE MARKING,
PER EOP 12868 SEC. 3.3 (C)**

September 4, 1986

WYOMING COAL PROJECT

OVERVIEW

This unique coal project is so strategically located and is comprised of so many favorable features as to be precluded from the general classification of coal mines as they pertain to today's unfavorable economic circumstances.

In 1974 a joint-venture agreement was signed between Ideal Basic Industries and Rocky Mountain Energy Co. (Union Pacific) for the development of a large block of coal reserves remaining on the west flank of the Rock Springs Uplift, north of Rock Springs, Wyoming. The mine was opened in 1976 and operated on a limited basis until 1981 when the operation ceased and the joint-venture was dissolved.

During this period the joint-venture invested approximately \$50M in the mine and surface facilities. (See accompanying photos.) The advantages of this large capital expenditure is now easily accessible to an investor/operator at a small fraction of the original cost, along with the large tonnage on the fee lands and the accompanying federal lease which is included with this acquisition. This coupled with the strategic location of the mine and its large reserves of premium tonnage for almost an exclusive sales area into the northwest (Idaho, northern Nevada, Oregon and Washington) makes this project uniquely favorable.

With the closure of the mine all equipment and material not essential for the preservation of the mine were liquidated and the mine was put on a standby basis with full-time watchmen. The utilities are all in place and the mine pumps are periodically operated to keep the mine workings free of excessive water. All the necessary permitting is in place and up to date.

The entire surface facilities which is serviced with a new 7 to 8 mile railroad spur, and the transfer of the federal lease are available for acquisition and/or development. It has been estimated that it would take approximately \$2m to reactivate the property, depending upon the type of equipment and the rate of reactivation. The property has an assessed value of at least \$30M, reserves of 114,000,000 tons, and a mine which can service a large exclusive area with the closest and highest quality coal available.