Medicine Bow Fuel & Power LLC
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September 20, 2013

Mr. Shawn Warner
Chairman, Industrial Siting Council
Wyoming Department of Environmental Quality
122 W. 25th Street
Herschler Building, 4W
Cheyenne, Wyoming 82002

Re: Medicine Bow Fuel & Power Project; Permit No. ISC 07-01

Dear Mr. Warner:

Medicine Bow Fuel & Power LLC ("MBFP") has been pursuing the development of a coal-to-gasoline project near Medicine Bow, Wyoming for over 8 years. In that process, we have expended over $100 million to develop a project that will peak with 2,300 construction jobs (over a 4 year construction period) and 435 permanent operations jobs in Wyoming. This project is leading the way to open a significant market for alternative uses of coal, and importantly, thanks to our use of carbon capture and sequestration/EOR technology, this clean coal project will result in the lowest carbon footprint of any gasoline currently being used in the United States. This facility will place Wyoming on a global map for coal conversion at a time it is vital to the state's own industrial interests to be a world player in advanced coal technology and new coal markets. We strongly believe the State and DKRW should continue to work together on this world class project. In order to further the project, and more important, to address concerns related to the scheduling of the project and analysis of the impacts, we are withdrawing the proposed schedule and as discussed below, we are asking the Industrial Siting Council (the "Council") for a permit amendment. We believe the proposed permit amendment will provide certainty for the communities and the Council and allow them to better plan, with a more current schedule and socioeconomic data, for any impacts associated with our project.

Over the past 8 years, we have made tremendous progress on the Medicine Bow project. Our Front-End Engineering & Design (FEED) study has been completed. We have off-take contracts for gasoline, carbon dioxide, sulfur and natural gas liquids, a signed EPC agreement and permits in place to allow construction to begin on our private land. The major open items prior to ramping up construction are the ongoing final design engineering, final selection of subcontractors and equipment suppliers for the project, and completion of the financing for the project. The Medicine Bow project is further advanced than any coal gasification project not only in Wyoming, but in the entire country.

We obtained our Industrial Siting Permit in January 2008 and have been working with the Industrial Siting Division (the "Division") since that time for permit compliance and schedule changes. As the Council knows from working with multiple large projects, developing a greenfield project of this size and scale takes an enormous amount of time, money and effort. Despite the best efforts of all involved, schedules slip and plans have to constantly be re-

evaluated and updated, all during a time when the project is still in the development stage with no revenues being received.

We filed a proposed updated schedule, manpower construction curve and Socioeconomic Report with the Division in November 2012, estimating a construction ramp-up date of Q1 2013. Because of the size and scope of our project and the very large workforce required, this work cost us almost $100,000, of which $75,000 were third party costs for the Socioeconomic Report alone. During Q1 2013, when it became apparent that the construction ramp-up date was being delayed through items outside our control, we informed the Division and withdrew the schedule filed in November 2012 until we could project a more accurate schedule. In June 2013, we filed a new updated schedule and manpower construction curve estimating a construction ramp-up date of July 2014, along with our November 2012 Socioeconomic Report update. We believe that the data from the November 2012 Socioeconomic Report update remains current, and the Division's current practices allow a Socioeconomic Report update to be valid for up to 3 years. Given this, we do not believe it is appropriate to incur the $75,000 in third party costs to update again the Socioeconomic Report.

The Division has informed us that they do not believe the Socioeconomic Report adequately provides an updated analysis of the impacts to local communities based on the current proposed construction schedule. MBFP does not agree with the Division here. While estimating construction schedules, manpower curves and the socioeconomic impacts of these schedules and curves can be useful tools, they are only *estimates*, good for a snapshot in time, and they will undoubtedly change. However, in the case of our project, the number of workers, the length of construction, and the manpower curve have remained largely consistent despite the changing schedule. The 2012 socioeconomic analysis, as did the original analysis, identifies substantial economic benefits to the project and recognizes that housing will be a concern during construction. A new socioeconomic analysis tied to a specific schedule would yield no new information. The original permit addresses this uncertainty by requiring us to submit an updated housing plan to deal with the actual circumstances present when the number of construction workers will exceed available housing.

While we believe we have provided sufficient data, the Division does not agree. We do not want to put the Council, the Division, the permit parties or the local communities in a position where they are concerned about the impacts of our project with a belief (inaccurate, in our opinion) that they do not have adequate data to analyze the impacts from the Medicine Bow project. We have considered this and believe there is a solution that resolves the concerns of all involved, and we are presenting that here in conjunction with withdrawing our schedule and socioeconomic report presented in June 2013. We are willing to agree to a Permit Amendment or Council Order with the following conditions:

a. The current proposed construction schedule will be placed on hold, and the Council will not be asked to approve a revised construction schedule until the following occurs:

i. No later than 6 months prior to the date on which site construction activity will resume (other than the monitoring, maintenance and minor construction described in (b) below, MBFP shall submit the following then current and updated information to the Division: 1) Construction schedule; 2) Manpower curve (i.e., # of construction workers by quarter); 3) Socioeconomic analysis based on the then current construction schedule and the then current project description; 4) Updated project descriptions to all state and local government bodies with regulatory jurisdiction over the project; and 5) Updated housing plan;

b. MBFP may continue site activity necessary for monitoring and maintenance of existing facilities, including water wells or necessary permit activity, including minor construction activity of the type and nature conducted to date, with minimal (if any) impacts;

c. If MBFP fails to submit the items listed in clause (a)(i) of this permit condition by thirty (30) months from the date that this permit condition is approved, Permit No. ISC 07-01 will terminate and MBFP will no longer have the right to construct under Section 106 of the Act without seeking a new permit.

d. The updated project description submitted pursuant to clause (a)(i) above shall expressly contain provisions whereby MBFP commits to the following (which are already included in our construction plans but not previously required or committed as part of our Industrial Siting Permit):

i. provide on-site emergency services, including fire, ambulance, security and medical, at the project site and any labor camp facility, and will not rely on such services from local communities; and

ii. construct sufficient housing facilities to provide housing to workers for demand over and above what the local communities can reasonably provide, as evidenced in the housing plan submitted pursuant to clause (a)(i) above. These housing facilities (which will include temporary labor camps and RV sites, as well as might include more permanent facilities) will be located as required in Condition No. 3 of ISC Permit 07-01, based on consultation with the local communities and must meet all local and state permitting requirements. The labor camps will be full service, providing housing, food, recreational, security, and emergency services, including fire and medical.

The above-proposed resolution provides all parties with certainty that before any ramp-up of construction activities that have impacts on the local communities, MBFP will present updated information to the parties with sufficient advance time for consideration, discussion and ultimately Council approval (or not) of the then proposed construction schedule and socioeconomic impacts. This resolution, which can be implemented as an amendment under Section 106(c) of the Act, also resolves all past allegations of noncompliance, which we continue to deny.

We trust that this proposed resolution will be satisfactory to the Council. We would like to move quickly and get this issue resolved so we can return our focus to completing the financing and other matters described above. However, we recognize that you may not have time to fully evaluate this proposal at the October 1, 2013 meeting and we are willing to appear again at a later date.

Sincerely,

RC Kelly

Robert C. Kelly
Executive Chairman

cc: Parties of Record
Todd Parfitt, Director, Wyoming DEQ
Luke Esch, Administrator, Wyoming ISD
Jon Doyle, DKRW Advanced Fuels
Wade Cline, DKRW Advanced Fuels