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Ohio Coal Mine Operators and Consultants:

Subject: Procedure Directive: Preliminary Implementation of the Performance
Security Provisions of House Bill 443

On May 4, 2005 the Office of Surface Mining notified the Division of Mineral Resources Management (DMRM) of deficiencies with Ohio's Alternative Bonding System (ABS) for coal mining operations. Subsequent to receipt of that notice, the DMRM conducted extensive negotiations with coal industry representatives regarding the ABS system. These negotiations culminated in the passage of HB 443 during the last session of the Ohio legislature. The bill, which will be effective April 4, 2007, addresses numerous issues of interest to the Ohio coal industry. At this time the Division is focusing on the preliminary implementation of the revised bonding provisions of the bill, and the processing of permit applications subsequent to the effective date of the bill.

Attached is a procedure directive and Performance Security Form that outlines our preliminary approach to the implementation of the performance security provisions of HB 443. The procedure directive identifies various categories of mining operations that are impacted by the bill and describes the process that is necessary for each category to comply with the bill.

Please note that all active coal mine permit holders are required to submit the attached Notification of Election of Performance Security form to Sue Grant in the Cambridge regional office for each active permit no later than April 4, 2007.

The Division anticipates that the explanations and interpretations in the attached procedure directive will generate many questions from the mining industry. Therefore, we are asking that all of your questions be directed to Sue Grant in the Cambridge office at 740-439-9079 or at Sue.Grant@dnr.state.oh.us. As the Division's contact person for House Bill 443, she will record all inquiries, consult others in the Division as appropriate, and develop a formal response in writing. This approach should ensure clear and consistent communication to all parties.

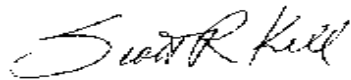
The Division is in the process of chartering workgroups to address the major issues contained in the bill. Workgroups will be comprised of Division staff, industry representatives, Office of Surface Mining staff, the Ohio Environmental Council and other public agency representatives as appropriate. The primary focus of the workgroups will be

to recommend preliminary and final implementation procedures as the basis for the promulgation of rules in the Ohio Administrative Code. Anyone interested in participating in this process should contact Sue Grant. The Division will provide interested parties with copies of the workgroup charters and team leaders for each group.

In addition the Division will be working with the Office of Surface Mining on a final program amendment to address all issues and concerns relative to the ABS system, program funding and other provisions contained in HB 443.

Please keep in mind that the attached procedure directive is interim in nature and that final procedures will be developed as outlined above over the coming months.

Sincerely,

A handwritten signature in black ink that reads "Scott R. Kell". The signature is written in a cursive style with a large, sweeping initial "S".

Scott R. Kell, Acting Chief
Division of Mineral Resources Management

Cc: Glen Alexander