



January 15, 2008

Frank Messina
Environmental Specialist
Oregon Department of Environmental Quality
Eastern Region, Bend Office
300 SE Reed Market Road
Bend, OR 97702

RE: Diatomaceous Earth Mine Site, Lower Bridge Way, Deschutes County

Dear Mr. Messina:

This letter responds to your January 4, 2008 Notice of Nuisance Determination.

As you know, The Daniels Group is assisting the ownership group on this property. In this regard, we would first like to express the ownership group's willingness to continue working cooperatively with the DEQ on this matter to reach a resolution that is in the best interests of all the stakeholders concerned and involved with this site. Although they cannot agree with all of DEQ's findings, they believe that everyone is best serviced by searching for common ground and solutions rather than exacerbating conflict.

This is an abandoned historical mining site that has met the reclamation requirements of Oregon's Department of Geological and Mineral Industries. However, as we have all become aware, certain portions of the overall site may have the propensity for contributing to fugitive dust events under certain conditions. Additionally it is understood that neighboring property owners have expressed concern about these events.

The goal of the ownership group for this site is to attempt to mitigate any fugitive dust concerns which everyone believes will have the concomitant benefit of improving the visual appeal of the site from surrounding properties. The intent of this effort is also to be a good neighbor to those who live near this former mining site.

In late 2007, we all worked together in the preparation of dust mitigation measures that would apply to the site in an effort to control any dust emissions from the property. A copy of that plan (Lower Bridge Road Dust Mitigation Project) was delivered to you at that time and is attached hereto. That plan identified areas of potential concern and presented a work plan that included grading seeding and irrigation measures designed to address the concerns posed by DEQ and neighboring property owners. As you are aware, that work plan is in its early stages of implementation.

THE DANIELS GROUP, LLC

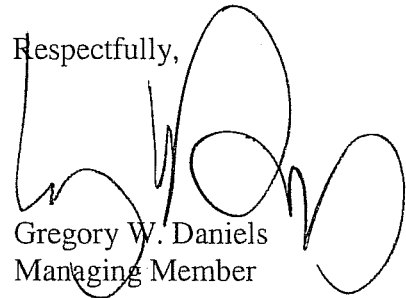
1111 MAIN STREET, SUITE 700, VANCOUVER, WASHINGTON 98660
WA 360.694.5700 • OR 503.254.6000 • FAX 360.695.1201

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Your January 4, 2008 Notice of Nuisance Determination suggested that the ownership group for this property enter into a Best Work Practices Agreement with the DEQ that would prescribe measures designed to assist with dust mitigation. They would welcome entering discussions with you about such an Agreement and The Daniels Group would be willing to assist in that effort.

In that regard, it would be helpful to receive copies of other Best Work Practices Agreements that have proved successful in similar situations for you. It would then be appropriate to meet with you to create a Best Work Practicing Agreement for this site. Please send us copies of the Best Work Practices Agreements and some dates that would work for you for such a meeting.

Respectfully,

A handwritten signature in black ink, appearing to read 'Gregory W. Daniels', written over a printed name and title.

Gregory W. Daniels
Managing Member

GWD:jf

cc: Ronald Riemenschneider
Franklin S. Nolan
Doris M. Nolan
Franklin S. Nolan Revocable Trust; Doris M. Nolan Revocable Trust
Norman L. Weigand
Rhonda G. Avery

Lower Bridge Road Dust Mitigation Project

Introduction

The Lower Bridge Road site is an approximately 576+/- acre former diatomite mine. Mining of the diatomite ceased in the early 1960's. The site has been used since then for small scale sand and gravel operations, concrete, and asphalt production. The owners of the land have decided that since the land offers only a very limited potential for any industrial or agricultural use, they are in the process of considering a rezone allowing for residential development.

The site has met the reclamation requirements from DOGAMI, however the site still has areas that could be further reclaimed that would minimize occasional fugitive dust events during dry and windy conditions. This work would eliminate DEQ concerns and make the site more appropriate for proposed future residential development.

The goals of this plan are as follows:

- Short Term:
 - Perform work onsite that will help determine the best management practice for controlling wind borne dust events.
 - To have "No Visible Emissions" of dust while working onsite
- Long Term:
 - To stabilize the bare areas in a practical, cost effective manner and eliminate wind borne dust events.
 - Secure the site from trespasses that cause dust emissions.
 - Increase the visual appeal of the site from surrounding properties.
 - Improve the site to make it more appropriate for residential development

Scope

The areas planned for dust mitigation are north of the dry canyon, the west excavation pit, and the former central mine site. These areas total approximately 300 acres or 53% of the total site. We are planning to perform a test area using the Work Plan as outlined for a 5 acre parcel to test the effectiveness of our plan and look for ways to improve results on a broader scope.

Each of the areas has mounds of diatomite with abrupt contours. The areas typically have no vegetation, except minimal sage grasses. The areas east of Lower Bridge Road are vegetated and will not require any mitigation efforts as described in this plan.

Lower Bridge Road Dust Mitigation Project

Gene Hickman has been retained to provide an analysis of what type of vegetation should be planted that will provide optimum ground cover for the site. Mr. Hickman is a recognized Forage Consultant in Central Oregon.

Work Plan

Grading

Grading of the site will employ tractor towed scrapers and bulldozers shaping the site and removing the acute contours that during windy conditions can cause dust to enter the air. The slopes we will create will flatten the existing piles leaving slopes anywhere from 3:1 to 10:1. Areas that have existing grasses and trees will be left undisturbed while trying to tie in the new contours to complement these areas that are considered vegetated and stable.

The new contours also need to be built to allow for the operation of seeding equipment and placement of temporary irrigation equipment.

During grading operations, dust control will be performed by:

- Pre wetting the ground using irrigation equipment and a water truck equipped with pressurized spray equipment
- Working on days when the winds are calm.

Seeding

Once an area is graded we will place a native seed mix to be determined. The diatomite will accept seed and make a good seed bed. Our plan will be to drill the seed using typical agricultural planting equipment, tractors and gang drills. There may be areas that the seed may not take by drilling, in that case we may elect to use hydroseed or other methods. If there is a need for fertilizer, it can also be spread using farm sprayers or by aerial methods (crop dusting).

In certain areas it may be beneficial to plant "Wind Breaks" with a species of trees that will complement the site and blend in with the existing trees in the area and adjacent parcels.

Irrigation

Once an area is seeded, we will irrigate the area using existing water to the site. Depending on the area will either lay pipe on the ground or use large reels of flexible irrigation pipe. This will essentially look like a large scale alfalfa operation that is typical of this area.

Operations

- Work hours will be from 7 am to 5:30 pm, Monday through Friday.

***Lower Bridge Road
Dust Mitigation Project***

- The site access is secured by a locked gate at the southwest corner of the property. Equipment being used for this work will be staged near this access and locked with the keys removed to prevent vandalism.
- While the work is underway, we will employ various means to keep fugitive dust due to equipment operation within DEQ standards. These include using water trucks on haul routes and fills, pre wetting cut areas, and trying to establish vegetation as quickly as possible following the completion of contour work. Water will be provided on site from existing wells.

Summary

This work will take place continuously over the next 12 to 18 months. The work will be performed with the listed goals in mind. As the work progresses, we will modify operations based on performance of what has been observed as being effective, or ineffective as the case may be.

The mitigation work as described in this plan will meet the goals listed above. As we proceed with the work we will stay in contact with DEQ and keep them advised of specific progress, including details of the grading and seeding.