

Fruita Refinery

I hope this information is helpful. This project has developed into a difficult ambition but if successful worth the labor. I maintain volumes of information on soil, vegetation, wildlife, geology, seismicity, aquatic ecology, meteorology and air quality (etc.). If you have additional questions please call. Thanks JJS

The purpose of this letter is to provide a brief overview regarding the history behind the Fruita Refinery and future goals for property usage.

The Fruita Refinery is located at 1493 Colorado State Highway 6 & 50 in Fruita, Colorado. The site is in a rural setting approximately 2 miles west of Fruita and 15 miles east of the Utah/Colorado Border. The facility operated in various capacities from 1957 through 1996. As is typical with facilities of this type various compounds were stored, processed, generated, and disposed on site.

Between 1957 and 1973 the refinery processed Gilsonite (an oil-bearing mineral) into liquid products and petroleum coke. In 1973 Sam Gary of Gary Energy purchased the facility and operated the refinery as the Gary Refinery Company. In 1985 the Gary Refinery Company filed for Chapter 11 bankruptcy and the facility was decommissioned. In response to the oil shale boom, the plant was re-opened in 1989 by the Western Slope refining Company and utilized contracts with Unocal to purchase shale-oil derived syncrude from the Unocal Plant in Parachute Creek, Colorado. As international pressures in 1990 made the refining of oil shale uneconomical, the facility was again shut down.

In January 1991, the facility began operations as Landmark Petroleum (Landmark); and subsequently closed in 1996 due to lack of an economical feed source. On July 1, 1996, Fruita Marketing and Management, Inc. entered into an agreement whereby FMM purchased from Landmark all of the Refinery assets and real property. Had this agreement not transpired, it is probable that the site would be largely unusable for decades. The FMM goal is to work together with Mesa County and key environmental agencies so that the site can be returned to a combination of uses, predominantly industrial.

Environmental Liabilities

As the owner of the real property and fixed assets, FMM has assumed liability for environmental compliance at the site. Consequently, Mesa environmental, Inc. (MEI), was contracted by FMM to establish a schedule of tasks for environmental assessment of the Refinery. Completion of these tasks is a prerequisite to a Landmark Order on Consent developed by MEI and the CDPHE for FMM and will establish the extent of impact as well as determine the criteria for remediation.

To initiate the development of the Order on Consent, MEI developed a Ground-Water Characterization Work Plan of phased assessment tasks and a schedule for these tasks. This work plan specifies the methods, strategies and techniques to be employed to develop an understanding of the nature and extent of impacted ground water at the Refinery and outlines the phased approach designed to achieve this goal.

Mesa County Delinquent taxes

Landmark Petroleum, Inc. Owned and operated the Refinery from 1990 to 1996. Landmark assets, which are personal property, are subject to delinquent property taxes. The assets had been subject to distraint against the distrained property.

FMM, the Mesa County assessor and the Mesa County Treasurer proposed to enter into an agreement a mechanism for the solution of the above-mentioned property tax assessment. This involved the conveyance of river frontage property (approximately 88 acres) to the Colorado Department of Natural Resources. The goal, to develop a non-industrial opportunity for the proposed Fruita-Kokopelli Greenway Plan. This plan envisions a continuous trail along the Colorado River from Fruita to Loma (boat ramp) for use as hiking, mountain biking and horseback riding trail. The proposed property transfer of the 88 acres would become part of the trail traversing the southern edge of the Refinery property. It is the preferred route of the Bureau of Land Management, National Park Services and U.S. Fish and Wildlife Services. The Greenway Trail would provide a buffer between the Refinery and the Colorado River to the south and would be a positive influence on how the area is perceived.

Development of the Site

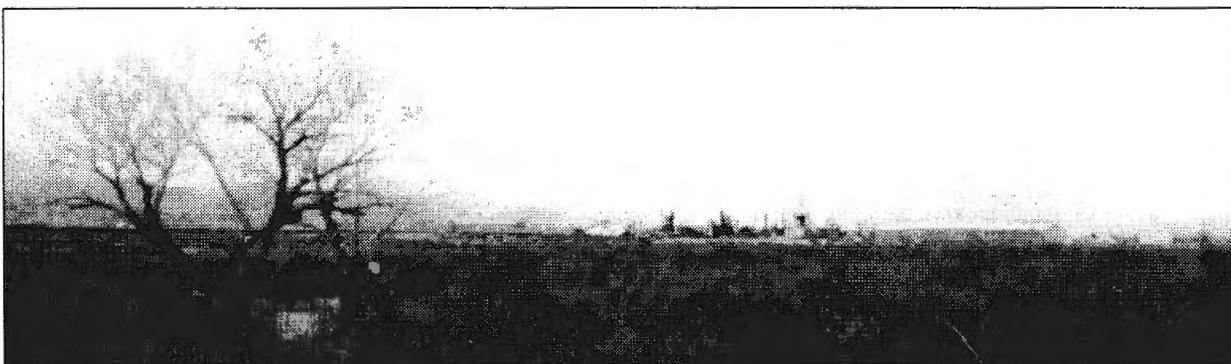
FMM has developed a marketing plan that would encompass marketing and dismantling of the personal assets. Certain portions of the site could be reconfigured to operate as an Industrial Development. All of these uses could result in Fruita, Mesa County and Colorado benefitting from an expansion of industry thus increasing the property tax base and available jobs in the Valley. Although the facility will never be operated as in the past, parts can be used by environmentally sound businesses.

Prior to FMM and MEI's voluntary undertaking of the responsibilities discussed, no solution seemed evident. Neither FMM nor MEI had any previous participation with the Refinery operation, including spills, violations, non-compliance issues or environmental impact at the site. Following the October 1993 closure of the Refinery, FMM has played an active role in coordinating and complying with issues created by prior ownership. Since FMM's involvement with the Refinery, there has been continued cooperation between the involved organizations. Results include the recovery and recycling of 10,000 bbls of crude spilled during refining operations; characterization, consolidation and disposal of waste generated by prior operators; and the excavation of 15,000 yd. of impacted soil which created a hazard to migratory waterfowl. In addition significant advancements have been made in objectives previously discussed in the letter.

I hope this helps you to understand our situation.

Yours truly

James J. Stemrich



The Refinery as seen from Highway 70 just east of the Loma exit