

Mystery Creek Resources Inc.

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State of Alaska
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William D. McGee
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Water Division
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Department of Environmental Conservation
610 University Ave.
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Re: Reclamation Plan and Cost Estimate, Nixon Fork Mine Project

Gentlemen:

Thank you for your time Wednesday allowing us to discuss your recent comments related to the Reclamation Plan and Cost Estimate on the Nixon Fork Mine. Several of the issues arising from your comments appear to have been resolved during our telephone conference. The intent of this letter is to confirm certain statements I made on behalf of *Mystery Creek Resources Inc.* (herein, "*Mystery Creek*") related to the permits on the Nixon Fork Mine.

I believe we satisfactorily resolved the issue related to seed and fertilizer costs by confirming use of vendor-supplied price quotes in our pending revision. Likewise we agreed upon a satisfactory profit factor and contingency factor to be used in the cost estimate. Such cost factors will be reflected in a revised Reclamation Plan and Cost Estimate which we are providing to you today. By separate

document we will provide you with our recent fuel price history which we have experienced at Nixon Fork. Such a history indicates an average fuel price paid over the last nine months of \$3.46 per gallon delivered to site.

We discussed agency comments related to equipment selection and its affect on the mobilization-demobilization cost of such equipment during the closure process. *Mystery Creek* will prepare documentation supported by vendor-supplied quotes in order to address agency comments related to equipment selection and mobilization-demobilization and its affect on such closure cost. Such documentation will be furnished to the agencies prior to the end of the public comment period.

Mystery Creek is currently negotiating the terms of a surety bond we intend to provide as a method of reclamation surety for the closure of the project. Details of such a surety bond will be provided to the agency as soon as those terms have been finalized between the bonding company and *Mystery Creek*. In such a surety bond we jointly agreed to use a three percent (3.0%) inflation factor on all direct and indirect costs of closure. In the event we are unable to secure an equitable surety bond we will work with your agencies to develop adequate provisions for a cash bond for the project.

We look forward to working with you to provide any necessary supplemental documentation to finalize the amount and terms of the reclamation bond required on this project. If you require additional material do not hesitate to contact me at your earliest convenience.

Sincerely,
Mystery Creek Resources, Inc.

/ss/

Paul C. Jones
President

cc: Luke Boles – AK DEC
David Dorris – Dorris & Assoc.
Jim Beck – Beck & Assoc.
Bill Burnett – MCRI