

**Offer to Purchase**  
**All Outstanding Shares of Common Stock**  
of  
**United Fuel & Energy Corporation**  
at  
**\$0.30 Net Per Share in Cash**  
by  
**Goldstream, Inc.**  
a direct wholly-owned subsidiary of  
**Southern Counties Oil Co.,**  
**A California Limited Partnership**

**THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., EASTERN STANDARD TIME, ON FRIDAY, FEBRUARY 5, 2010, UNLESS THE OFFER IS EXTENDED (SUCH DATE AND TIME, AS IT MAY BE EXTENDED, THE “EXPIRATION DATE”).**

January 7, 2010

**To Our Clients:**

Enclosed for your information is an Offer to Purchase, dated January 7, 2010 (as it may be amended or supplemented from time to time, the “*Offer to Purchase*”), and the related Letter of Transmittal (as it may be amended or supplemented from time to time, the “*Letter of Transmittal*” and, together with the Offer to Purchase, the “*Offer*”), relating to the offer by Goldstream, Inc., a Nevada corporation (“*Purchaser*”) and a direct wholly-owned subsidiary of Southern Counties Oil Co., A California Limited Partnership (“*SCOC*”), to purchase all outstanding shares of common stock, \$0.001 par value per share (“*Shares*”), of United Fuel & Energy Corporation, a Nevada corporation (“*United Fuel*”), at a price of \$0.30 per Share, net to the seller in cash (less any required withholding taxes and without interest), upon the terms and subject to the conditions set forth in the Offer.

Also enclosed is United Fuel’s Statement of Solicitation/Recommendation.

**We are the holder of record of Shares held by us for your account. A tender of such Shares can be made only by us as the holder of record and pursuant to your instructions. The Letter of Transmittal accompanying this letter is furnished to you for your information only and cannot be used by you to tender Shares held by us for your account.**

We request instructions as to whether you wish to tender any or all of the Shares held by us for your account pursuant to the Offer.

Your attention is directed to the following:

- 1. The offer price is \$0.30 net per Share in cash, upon the terms and subject to the conditions of the Offer.**
- 2. The Offer is being made for all outstanding Shares.**
- 3. The Offer is being made in connection with the Agreement and Plan of Merger, dated as of December 24, 2009 (together with any amendments or supplements thereto, the “*Merger Agreement*”), among SCOC, Purchaser and United Fuel, pursuant to which, after the completion of the Offer and the satisfaction or waiver of certain conditions, United Fuel will be merged with and**

into Purchaser, and Purchaser will be the surviving corporation (the “*Merger*”). Capitalized terms used, but not defined, herein shall have the respective meanings given to them in the Merger Agreement.

4. The United Fuel board of directors has, subject to the terms and conditions set forth in the Merger Agreement (i) determined, upon recommendation of a special committee of the board of directors, that the Merger Agreement and the transactions contemplated thereby are in the best interests of United Fuel and the holders of Shares, (ii) approved the Merger Agreement and the transactions contemplated thereby, (iii) recommended the Offer to the holders of Shares, and (iv) recommended the Merger Agreement and the transactions thereby to the holders of Shares, if such recommendation becomes necessary.

5. The Offer is not subject to any financing condition, but is conditioned upon a number of other conditions as set forth in the Offer to Purchase. See Section 13 of the Offer to Purchase.

6. The initial offering period of the Offer and withdrawal rights will expire at the Expiration Date.

7. Any transfer taxes applicable to the sale of Shares to Purchaser pursuant to the Offer will be paid by Purchaser, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

If you wish to have us tender any or all of the Shares held by us for your account, please so instruct us by completing, executing and returning to us in the enclosed envelope the attached instruction form. Please forward your instructions to us in ample time to permit us to submit a tender on your behalf prior to the Expiration Date. If you authorize the tender of your Shares, all such Shares will be tendered unless otherwise specified on the attached instruction form.

Payment for Shares will be in all cases made only after such Shares are accepted by Purchaser for payment pursuant to the Offer and the timely receipt by Computershare Trust Company, N.A. (the “*Depository*”), of (a) certificates for such Shares, (b) a Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees, and (c) any other documents required by the Letter of Transmittal. Accordingly, tendering stockholders may be paid at different times depending upon when certificates for Shares with respect to Shares are actually received by the Depository. **Under no circumstances will interest be paid on the purchase price for Shares, regardless of any extension of the Offer or any delay in payment for Shares.**

**Instructions with Respect to the  
Offer to Purchase  
All Outstanding Shares of Common Stock  
of  
United Fuel & Energy Corporation  
at  
\$0.30 Net Per Share in Cash  
by  
Goldstream, Inc.  
a direct wholly-owned subsidiary of  
Southern Counties Oil Co.,  
A California Limited Partnership**

**THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., EASTERN  
STANDARD TIME, ON FRIDAY, FEBRUARY 5, 2009, UNLESS THE OFFER IS EXTENDED  
(SUCH DATE AND TIME, AS IT MAY BE EXTENDED, THE “EXPIRATION DATE”).**

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase, dated January 7, 2010 (as it may be amended or supplemented from time to time, the “*Offer to Purchase*”), and the related Letter of Transmittal (as it may be amended or supplemented from time to time, the “*Letter of Transmittal*” and, together with the Offer to Purchase, the “*Offer*”), in connection with the offer by Goldstream, Inc., a Nevada corporation (“*Purchaser*”) and a direct wholly-owned subsidiary of Southern Counties Oil Co., A California Limited Partnership (“*SCOC*”), to purchase for cash all of the outstanding shares of common stock, \$0.001 par value per share (“*Shares*”), of United Fuel & Energy Corporation, a Nevada corporation (“*United Fuel*”), at a price of \$0.30 per Share, net to the seller in cash (less any required withholding taxes and without interest), upon the terms and subject to the conditions set forth in the Offer.

This will instruct you to tender the number of Shares indicated on the reverse (or if no number is indicated on the reverse, all Shares) that are held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offer.

The undersigned understands and acknowledges that all questions as to validity, form and eligibility of the surrender of any certificate representing Shares submitted on my behalf to Computershare Trust Company, N.A., the Depository for the Offer, will be determined by Purchaser (which may delegate power in whole or in part to the Depository) and such determination shall be final and binding.

Dated: January 7, 2010

Number of Shares to Be Tendered: \_\_\_\_\_  
Shares\*

Account Number: \_\_\_\_\_ Signature(s): \_\_\_\_\_

Dated: \_\_\_\_\_, 2010

---

Please Type or Print Name(s) above

---

Please Type or Print Address(es) above

---

Area Code and Telephone Number

---

Taxpayer Identification or Social Security Number(s)

\* Unless otherwise indicated, you are deemed to have instructed us to tender all Shares held by us for your account.

**Please return this form to the brokerage firm or other nominee maintaining your account.**