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STATE OF UTAH
NATURAL RESOURCES
Oil, Gas & Mining

Norman H. Bangerter, Governor
Dee C. Hansen, Executive Director
Dianne R. Nielson, Ph.D., Division Director

355 W. North Temple • 3 Triad Center • Suite 350 • Salt Lake City, UT 84180-1203 • 801-538-5340

October 30, 1985

CERTIFIED RETURN RECEIPT REQUESTED
P-592-429-523

Mr. Allen W. Smith
North American Equities, NV
1401 17th Street, Suite 1510
Denver, Colorado 80202

Dear Mr. Smith:

RE: Irrevocable Letter of Credit as Collateral Bond, Blazon #1
Mine, INA/007/021, Folders No. 2 and 4, Carbon County, Utah

Please find enclosed your irrevocable letter of credit for the Blazon No. 1 Mine. The following changes and additions must be provided for approval:

1. The beneficiary name and address should read;

State of Utah
Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180

2. The applicant, name and address should include the permit number for the Blazon No. 1 Mine which is INA/007/021.
3. Collateral bonding requires that the applicant complete the enclosed Collateral Bonding and Indemnity Agreement between North American Equities and the Division. As Exhibit A of the agreement, NAE must provide a legal description of the disturbed areas within the permit area. As Exhibit B of the agreement, NAE shall provide their irrevocable letter of credit.

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Mr. Allen W. Smith

INA/007/031

October 30, 1985

Upon receipt of the signed Collateral Bonding and Indemity Agreement, the legal description to be included in Exhibit A, and the irrevocable letter of credit, and upon acceptance and approval of these documents, the Division shall release the cash bond currently held at the First Interstate Bank of Utah, account #722771003, to North American Equities, Ltd.

Thank you for your cooperation in this matter.

Sincerely,

L. P. Braxton

L. P. Braxton

Administrator

Mineral Resource Development
and Reclamation Program

JRH:jvb

cc: M. Moench

P. Grubaugh-Littig

R. Harden

S. Linner

1011R-50

COLLATERAL BONDING AND INDEMNITY AGREEMENT

THIS COLLATERAL BONDING AND INDEMNITY AGREEMENT entered into by and between North American Equities (hereinafter referred to as "NAE") and the Division of Oil, Gas and Mining (hereinafter referred to as "Division"),

W I T N E S S E T H

WHEREAS, NAE has obtained Permit No. INA/007/021 from the Division to conduct reclamation activities at the Blazon No. 1 Mine in Carbon County, Utah, as an underground coal mine under the Utah Coal Mining and Reclamation Act, Utah Code Ann., 40-10-1, et seq., 1953, as amended ("Act") and implementing regulations; on the disturbed areas designated in Exhibit A; and

WHEREAS, NAE wishes to obtain a bond under Collateral Bonding Rule UMC 800.1(c); and

WHEREAS, NAE has provided an irrevocable letter of credit issued by FIB of Denver (Exhibit B) naming the Division as Beneficiary, as collateral to secure this Collateral Bonding and Indemnity Agreement; and

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, NAE does hereby agree to be held and firmly bonds to the Division for the sum of \$48,400 (1986 dollars) for the timely performance of reclamation responsibilities for Permit No. INA/007/021 in lawful money of the United States. By

the submission of this irrevocable letter of credit NAE will and truly binds itself, its successors and assigns, jointly and severally, by these presents.

The conditions of the above obligations are such that:

1. NAE shall perform all duties and fulfill all requirements applicable to reclamation as set forth in the Act, and regulations adopted pursuant to the Act and the conditions of Permit No. INA/007/021 issued by the Division.

2. The liability under this Agreement is conditioned upon successful reclamation of the permit area as provided in the Reclamation Plan for Permit No. INA/007/021 for a period of time and in the manner specified in the Act and regulations adopted pursuant thereto as amended from time to time, and the conditions set forth in Permit No. INA/007/021 issued by the Division.

3. NAE does hereby jointly and severally agree to indemnify and hold the Division harmless from any claim, demand, liability, cost, charge or suit brought by a third party, as a result of NAE's failure to abide by the term and conditions of the Reclamation Plan as set forth in Permit No. INA/007/021 and from any failure to comply with the terms of this Agreement.

4. The Division shall give NAE notice of any claim and any legal proceedings within the scope of the indemnity set forth at Section 3.

5. Upon successful completion of part or all of the obligations secured hereby, NAE may petition the Division for a final release of part or all of the obligations under this Agreement. Upon such petition, the Division shall timely conduct an inspection to ascertain whether the duties and obligations of NAE under the Act, regulations adopted pursuant thereto and Permit No. INA/007/021 have been fulfilled. If such duties and obligations have been fulfilled, the Division shall release NAE from part or all of its obligations under this Agreement and shall file notice of such release of collateral held by the Division.

6. This agreement shall be reviewed periodically by the Division, or reviewed upon petition by NAE, in accordance with the Act and implementing regulations and the amount of liability under this agreement may be adjusted upon written agreement between NAE and the Division where it is clearly established that the cost of future reclamation has materially changed.

7. This Agreement may be terminated upon 90 days prior written notice to the Division if terminated by NAE or upon 90 days written notice to NAE if terminated by the Division. Upon such written notification, NAE will have ninety days to obtain an alternate form of bond to secure reclamation obligations for Permit No. INA/007/021 in the same amount as stated in this Agreement or amendments thereto.

SO AGREED this _____ day of _____, 1985.

North American Equities, N.V.

By _____
President

STATE OF UTAH, DEPARTMENT OF
NATURAL RESOURCES, DIVISION OF
OIL, GAS AND MINING

By _____
Dr. Dianne R. Nielson,
Director

APPROVED AS TO FORM:

Mark C. Moench
Assistant Attorney General

0533R

Date October 25, 1985	
Letter of Credit No.: SB 53623	Confirmation of Our Telex Dated <input type="checkbox"/>
Beneficiary State of Utah Natural Resources, Oil, Gas and Mining 355 West North Temple 3 Triad Center, Suite XXXX Salt Lake City, Utah 84180	Applicant North American Equities, Ltd. 1401 17th Street, Suite 1600 Denver, Colorado 80202 Attn:
Advising Bank	Letter of Credit Amount: U.S. Dollars Forty Eight Thousand Four Hundred and No/100----- \$48,400.00 Expiry Date: October 25, 1986 (At our Counters at 3:00 p.m. Denver time)
Attn:	

We hereby issue in your favor our IRREVOCABLE LETTER OF CREDIT which is available against presentation of your drafts on us at sight. Drafts must be accompanied by:

~~Your signed statement reading precisely as follows:~~

It is a condition of this letter of credit that it will be automatically extended for additional periods of up to one year from the then relevant expiry date unless 60 days prior to the relevant expiry date, we, First Interstate Bank of Denver, notify you that we elect not to extend this letter of credit, whereupon you, Utah Division of Oil, Gas and Mining may elect to obtain cash collateral by drawing your first sight draft on us for the amount not to exceed the unused balance of this letter of credit or to let the letter of credit expire.

RECEIVED

OCT 30 1985

DIVISION OF OIL
GAS & MINING

Partial drawings are not permitted.

THE ORIGINAL CREDIT MUST ACCOMPANY FINAL DRAFT.

DRAFTS DRAWN HEREUNDER MUST INDICATE THIS LETTER OF CREDIT NUMBER.

WE HEREBY AGREE WITH THE DRAWERS, ENDORSERS AND BONA FIDE HOLDERS OF THE DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS CREDIT THAT THE SAME SHALL BE HONORED UPON PRESENTATION AND DELIVERY OF DOCUMENTS SPECIFIED ABOVE TO THE DRAWEE IF DRAWN AND NEGOTIATED ON OR BEFORE THE EXPIRATION DATE STATED ABOVE.

Mary C. Mercer
Mary C. Mercer, Intl Banking Officer
(Authorized Signature)

Prepared by: KSS

Except so far as expressly stated herein, this Letter of Credit is subject to the "Uniform Customs and Practice for Documentary Credits" (XXI (Revision)), International Chamber of Commerce (Publication No. 268), 400