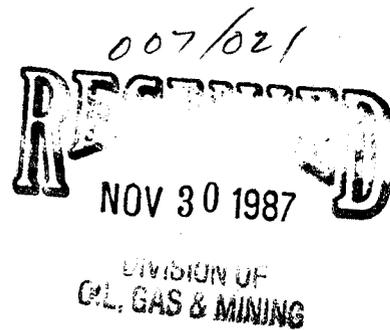


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November 24, 1987

Mr. Lowell Braxton  
Utah Dept. of Natural Resources  
Division of Oil, Gas and Mining  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, UT 84180-1203

RE: Reclamation of surface area of Blazon Mine #1

Dear Lowell:

I am writing this letter in behalf of Mr. Jack Otani, the surface owner of the five acres of land upon which the Blazon Mine #1 had its above-ground facilities situated. As you are aware, that mining operation was owned and financed by North American Equities, Ltd., (N.A.E.), with its present headquarters in Denver, Colorado.

During the last several months, Otani and N.A.E. have been involved in a dispute over reclamation of the surface mine site and amounts owed Otani by N.A.E. for services provided N.A.E. by Otani. The disputes between Otani, N.A.E. and N.A.E.'s president, Alan Smith, stem from services provided by Otani to N.A.E. that have not been paid for, and the limited scope of reclamation.

The mine closed on February 26, 1982, and in early 1983, N.A.E.'s president solicited Otani's consent to a delay in the reclamation of the surface to give N.A.E. time to try and sell the mine. Alan Smith explained that if Otani would allow the surface facilities to remain as they were, N.A.E. would have more to offer prospective buyers. Otani, after the discussions with Smith and the Utah State Division of Oil, Gas and Mining, (DOGGM), consented to the delay because Smith offered to pay Otani ground rent during that period.

By 1985, although Smith was still trying to sell the mine, the parties, (including DOGM), discussed the idea of N.A.E. only doing partial reclamation, with many of the improvements remaining on the surface acreage and becoming the property of Mr. Otani as compensation for not demanding full reclamation. Such a plan was agreed to, with the approval of DOGM, and in November, 1985, notice of the partial reclamation plan was placed in the newspaper.

Mr. Otani withheld his objections to the plan, which requires reclamation of only  $1\frac{1}{2}$  acres of the 5 to  $5\frac{1}{2}$  acres of disturbed area, in return for promises that he would receive the surface improvements for his ownership and use.

After the plan was approved, N.A.E. remained in full control of the ground and had its own employees act as caretaker of the ground and improvements. While still under N.A.E.'s control, and before Mr. Otani received any benefit, heavy winter snows destroyed the large, metal building that was the major remaining

improvement to be Otani's as compensation for agreeing to partial reclamation. N.A.E. left the collapsed building on Otani's property and Otani went to substantial expense to dismantle the building and remove it. Otani has billed N.A.E. for the work, but N.A.E. has so far refused to pay.

Otani and Smith also negotiated for N.A.E. to contract with Otani to do the remaining reclamation work. Because Smith contacted Otani, asking him to do the reclamation, and because DOGM officials informed Otani that the reclamation should be proceeding, and at one time threatening to issue a citation to N.A.E., Otani began reclamation work at the site. He did a substantial amount of work, a fact that can be verified by one of your officials, Mr. Randy Harden, and he billed N.A.E. for the work. To date, N.A.E. has refused to acknowledge that the work was done and has refused to pay Otani's bill for work done in 1986 and 1987.

Otani has also billed N.A.E. for other services and for the ground rent promised by Smith, but none of those amounts have been paid. Mr. Otani recognizes that some of the services and amounts may not be of any concern to DOGM, but because DOGM was involved in agreeing to the scope of reclamation and how that scope of reclamation relates to the unfulfilled promise to compensate Otani for the unreclaimed acreage, it is our position that DOGM has an obligation to consider Mr. Otani's request to re-open the reclamation program and review it. It is also our position that because N.A.E. cannot comply with the conditions it promised both Otani and DOGM would exist when the reclamation is complete, that there is a sufficient "change in circumstances" that obligates DOGM to change the scope of the reclamation.

The reclamation plan provided that those areas that went unreclaimed would, nevertheless, be clean, free of debris, and useable by Otani. In addition to the metal building being in good, useable condition, the roads, culverts and other improvements would be beneficial to the property. However, without the ability to use the metal building and the remainder of the site for Mr. Otani's construction business, the fill used to level the bottom of the canyon and the concrete pad are of no value to Mr. Otani, to the property or to the interests of the general public, and all of that material should be removed from the property. Those areas should then be covered with topsoil and properly reseeded.

Essentially, Mr. Otani asserts that because of the total failure of the conditions upon which N.A.E.'s partial reclamation is based, that DOGM is required to either require N.A.E. to replace the lost improvements that were part and parcel of the partial reclamation, or re-open the reclamation process and require N.A.E. to present a plan for full reclamation.

Neither DOGM nor N.A.E. can now take the position that, because of the failure of N.A.E. to protect essential parts of the approved reclamation plan, that Mr. Otani is the one who should bear the loss. The reclamation plan not only included the partial reclamation of the property with sloping, fill, topsoil and revegetation, but it also included the concept of the retention of the improvements. That aspect of the plan was understood by everyone and discussed by everyone, and was the basis upon which Mr. Otani agreed with the plan. If those improvements are lost, then many integral parts of N.A.E.'s reclamation plan are lost and N.A.E. is failing to comply with the total plan.

In behalf of Mr. Otani, I request that DOGM begin a new review with N.A.E. concerning the scope of reclamation. I also request that a careful review of the estimated cost of reclamation be made, and that N.A.E. be required to provide sufficient additional sureties.

I also request that, as you proceed with this review with N.A.E., Mr. Otani be shown the design changes and be allowed to make comments and review prior to the final draft. The "change in circumstances or conditions" seems to dictate a change in the plan. Without such changes in the plan, Mr. Otani will receive serious damage through no fault of his own.

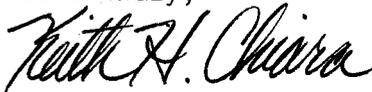
Mr. Otani does not now plan to immediately occupy his land. He wants the area to be covered with topsoil and planted with plants that will hold the topsoil, guard against erosion and protect the quality of the stream flowing through the property. Additionally, there are some things he wants DOGM to take into consideration in any event. They are:

1. Because it will be more costly to him and more damaging to the environment if the 7 foot culvert (I believe it is Culvert A) is removed, he would like that culvert to remain in place.
2. The suggested seed mix contains Mountain Mahogany, which isn't native to the area. He would like to meet with your biologist to find a satisfactory alternate mix for reseedling.
3. He would like to know how long DOGM expects the land to be tied up after the physical reclamation is completed.
4. Because Mr. Otani had done substantial reclamation work without compensation, he requests that DOGM withhold enough of the monies posted by N.A.E. to insure reclamation to pay Mr. Otani for his work.

I hope this letter makes Mr. Otani's position clear. He has assured me that he is willing to work with DOGM and N.A.E. to resolve the problems that have developed. However, he has no intention of bearing the cost of N.A.E.'s actions and/or failure to comply with the reclamation plan as it was presented to him.

He has asked me to convey to you and the other officials at DOGM that he has appreciated working with you on this and other matters over the years, and it is his hope that this entire matter can be worked out amiably. We look forward to communicating further with you on this important matter.

Yours truly,



Keith H. Chiara  
Attorney at Law

cc. Jack Otani  
Richard Stuckey