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cc DEN
 L. B. Grafton
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August 31, 1989

HAND DELIVERED

Dianne R. Nielson, Ph.D
 Director, Division of Oil, Gas & Mining
 Department of Natural Resources
 355 West North Temple
 3 Triad Center, Suite 350
 Salt Lake City, UT 84180-1203

Re: Reclamation Status, Blazon #1 Mine, INA/007/021

Dear Dr. Nielson:

For the past year and one-half, North American Equities, Ltd. ("NAE") has been pursuing reclamation of the Blazon #1 Mine, located in Carbon County, Utah. NAE, through its independent engineer, Earthfax Engineering, and its counsel, Holme Roberts & Owen, has actively worked with the Division of Oil, Gas and Mining (the "Division") to meet its statutory obligations and to satisfy any special requirements sought by the Division staff. NAE has made substantial monetary and fiscal resource expenditures to complete Phase I of the reclamation.

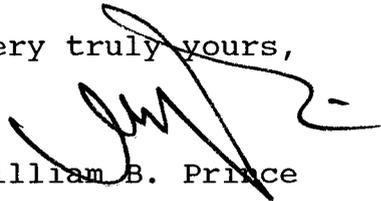
As required by applicable regulation and the Division, NAE posted a reclamation bond upon approval of its reclamation plan. The approved bond is in the amount of \$48,400. Throughout the period of NAE's reclamation work, NAE uniformly represented to the Division that it would be seeking partial release of its bond after completion of Phase I of the reclamation work in the maximum allowable amount of 60% of the total bond. NAE represented that it sought a maximum bond release in order to provide funds to third party contractors providing reclamation services. NAE was assured by the Division throughout the Phase I reclamation process that NAE's request would be favorably considered provided NAE met the standards for Phase I partial bond release. Division

personnel in fact represented that a release of 60% of the bond amount was anticipated in light of NAE's successful reclamation activities.

By letter dated July 21, 1989, NAE submitted to the Division its application for partial release of its reclamation performance bond based upon completion of Phase I reclamation. By response letter dated August 16, 1989, the Division responded to NAE's request and approved partial release of the bond. The Division, however, limited the partial release to 13% of the bond amount rather than the requested 60%.

NAE hereby requests a conference with you to review the Division's August 16, 1989, authorization for Phase I partial release of the bond. NAE contends that the Division's authorization is not supported by the regulations, is arbitrary and capricious, and is limited by considerations of estoppel. NAE would appreciate this conference at your earliest convenience. Please contact the undersigned to schedule an appropriate meeting date.

Very truly yours,



William B. Prince

jcw
cc: Lowell Braxton (DOGM)
Alan Smith (NAE)
Rich White (Earthfax)