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William B. Prince

RECEIVED
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DIVISION OF
OIL, GAS & MINING

May 1, 1989

Lowell P. Braxton
Administrator
Mineral Resource Development
and Reclamation Program
State of Utah Natural Resources,
Oil, Gas & Mining
355 West North Temple
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Re: Reclamation of Blazon #1 Mine

Dear Lowell:

This letter confirms our short telephone call today in which I reported to you regarding the status of the reclamation of North American Equities, Ltd.'s ("NAE") Blazon No. 1 Mine and informed you of a meeting held last Monday, April 24, 1989, with representatives of the Division to review the reclamation work. The meeting was attended by Rich White (Earthfax Engineering) and me, on behalf of NAE, and by Sue Lanier, Randy Hardin, Harold Sandbeck, Rick Summers and Joe Helfrich.

In summary, we discussed the earth slide which has given rise to the current Notice of Violation No. N89-27-6-1 dated April 24, 1989 (the "NOV"), the mitigation plan to prevent further earth slides, NAE's response to the Division's comments reviewing the "As-Built Report" and the remaining work to be done on site. In response to these matters and for your information, I understand that the corrective actions required by the NOV were undertaken this weekend on Saturday, April 29, 1989. The mitigation plan addressing future sluffing of the slope will be submitted to the Division on May 10, 1989, together with NAE's responses to the Division's comment on the "As-Built Report." The Division has

tentatively scheduled a May 12, 1989, visit to the site and will have the opportunity to review NAE's submission prior to the inspection.

The remaining on-site activities include placing a level marker in the sediment pond, completing the planting and fertilizing activities which were begun last fall, correcting minor erosion problems that have occurred in the pond and around the edge of the access road and addressing a question concerning ground cover above culvert A. NAE has instructed Earthfax to address these issues as soon as weather conditions permit access to the site. The Division has raised an additional matter concerning the size of the riprap in the Mud Creek channel below the existing culverts. From my understanding of the problem, the Division has determined that the riprap may be undersize for the potential exit speed of the water from the culverts. The Division has initially suggested that the Mud Creek channel must be excavated and reconstructed with substantially larger riprap.

Sue
Let's discuss
LWB 5-3

NAE is very troubled with this new development. As you know, NAE completed major reclamation construction on the site last year pursuant to the approved mining plan and with the on-site approval of the Division's inspectors. Although a final inspection could not be completed last Fall, NAE was left with the understanding that it would be granted partial release of its bond upon completing the planting and fertilizing this Spring, along with other minor on-site matters. NAE was especially surprised with the Division's suggestion to excavate the channel inasmuch as NAE's former engineers, ACZ Inc., conducted in-depth reviews and negotiations with the Division concerning the end result desired for the channel structure.

The Division's most recent proposal concerning the Mud Creek channel is inappropriate because it is not fair to NAE and it will involve excessive costs. NAE justifiably relied on the Division's review and approval of NAE's proposed reclamation plan before undertaking construction. NAE further relied on the Division's daily on-site reviews of the reclamation work. It is unconscionable to suggest that what was acceptable last fall is no longer acceptable this Spring. Moreover, the costs incurred by NAE to reclaim the site have far exceeded any potential value of the reclaimed site. NAE would have been in an acceptable position last fall to instruct its contractor to modify the reclamation project by excavating the channel. That, however, was not done because the reclamation plan was approved as currently built. At this

point, NAE will be required to remobilize the entire construction crew with equipment to undertake such work. The potential costs are now prohibitive and will materially affect NAE's current operating structure.

NAE has instructed Earthfax to identify alternative methods to reinforce the Mud Creek channel without reconstructing it. NAE's proposal will be submitted with its May 10, 1989, comments. NAE has exhibited good faith in attempting to reclaim this site consistent with the regulations and the Division's guidance. I would encourage the Division to make a similar effort to work with NAE to approve the reclamation and allow NAE to recover its reclamation bond as envisioned by the regulations.

NAE would be very happy to discuss this matter with you further at your convenience. NAE hereby requests a meeting with you to review the issue of the Mud Creek channel prior to the Division making any findings or decisions on the matter.

Very truly yours,

William B. Prince
Attorney for North American
Equities, Ltd.

jcw

cc: Rich White (Earthfax)
Alan W. Smith (NAE)