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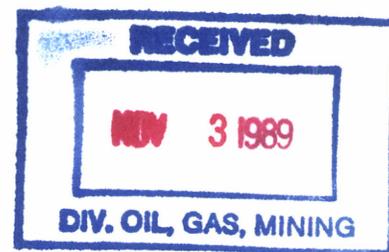
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November 3, 1989

HAND DELIVERED



State of Utah
Department of Natural Resources
Division of Oil, Gas & Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

Re: Permit No. INA/007/021
Permittee: North American Equities Ltd.
Permit Approval Date: October 4, 1985

Gentlemen:

In response to the "Notice of Application for Bond Release" sent in connection with the above-referenced permit, be advised that this office is retained as counsel for Mr. Jack Otani, who is the owner of the property which is the subject of the reclamation referenced above. In accordance with the various notices received regarding the request of North American Equities Ltd. for a partial release of its performance bond, Mr. Otani herewith objects to the release of any portion of the bond and requests in connection with UMC 807.11(c) that an informal conference be held with the division in accordance with the provisions of that rule. We understand that Notice of an Informal Conference must be published at least two weeks before the date of the conference and that the informal conference must be held at or near the site of the property within 30 days from the date of notice.

We further understand that following such a conference, Mr. Otani, as an affected person, may request a public hearing.

The purpose for this objection and request for informal conference is the failure of the operator to comply with either the original reclamation plan or the amended reclamation plan. These concerns have been detailed to the Division of Oil, Gas & Mining in letters from Mr. Otani dated March 20, 1989 and October 3, 1989. None of those concerns have, as yet, been adequately addressed or corrected. In addition to those concerns, Mr. Otani

has the following complaints:

1. In the original reclamation plan, netting was to be used on all steep slopes. No netting was used and vegetation has failed to grow on the steep slopes.

2. The Little Snyder drop inlet as well as the slopes on both north and south sides of Little Snyder are encroaching on the lower pad area.

3. The road highwall on the west side of Mud Creek should be recontoured to the original slope. If not, it should be revegetated with the aid of erosion control netting.

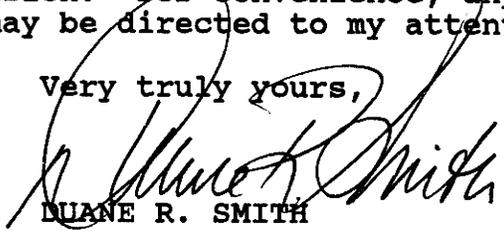
4. The original reclamation plan called for the operator to place top soil on the slope areas. It is obvious that the top soil was not used appropriately and the owner should be compensated therefore.

5. The Bond Release Notice indicates that many of the reclamation items took only 8 days to complete. This is a total falsehood which should be corrected.

Again, Mr. Otani continues to claim the problems which were contained in the earlier letters. Those letters outlined substantial problems which the Division has inspected but has not required that the operator correct.

We will look forward to hearing from you regarding our request for informal conference in accordance with the regulations of the Division. For convenience, any correspondence regarding this matter may be directed to my attention.

Very truly yours,


DUANE R. SMITH

DRS/ss

cc: Bill Prince
Jack Otani
Keith Chiara