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R. D. Haddock

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 DIVISION OF
 OIL, GAS & MINING
 October 31, 1990

Thomas Mitchell, Esq.
 Utah Attorney General
 Physical Resources Division
 355 West North Temple
 #3 Triad, Suite 350
 Salt Lake City, Utah 84180

RE: Blazon No. 1 Mine

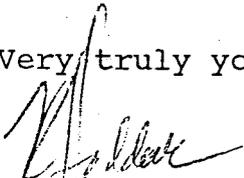
Dear Tom:

I am writing to reiterate NAE's offer for a final resolution of all issues relating to Blazon No. 1 Mine reclamation. NAE is willing to forfeit the balance of its bond remaining after Phase I bond release if the Division will assume the reclamation obligations and release NAE. This is initially the same proposal forwarded by the Division on September 27, 1990, except it compensates NAE for the expenses incurred in connection with the October 27, 1990 hearing.

While this offer is advantageous to NAE because it ends NAE's somewhat strained relationship with the Division, it also provides a mechanism for the Division to resolve what I perceive to be a problem with the OSM. Moreover, I do not believe, as Dr. Nielson suggests, that Mr. Otani has any say in this matter. Even if he does commence an appeal, I believe he has only limited standing and he did not even preserve enough of a record to effectively appeal the matters with respect to which he does have standing.

Please let me know if the Division wishes to discuss this matter further.

Very truly yours,


 Richie D. Haddock