Form MR-SMO
(Revised July 25, 2012)

This Section for DOGM Use:
Assigned DOGM File No.:
S/001/0035
DOGM Lead: Peter

RECEIVED E-Mail
JUN 20 2013
Div. of Oil, Gas & Mining

Permit Fee $
Task: 5660

Ck#

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
Telephone: (801) 538-5291 Fax: (801) 359-3940

NOTICE OF INTENTION TO COMMENCE SMALL MINING OPERATIONS

The information requirements of this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, Utah Code Annotated 1987, and the General Rules as promulgated under the Utah Minerals Regulatory Program (R647). The rules and Act are available online at HYPERLINK "http://www.rules.utah.gov/publicat/code/r647/r647.htm" http://www.rules.utah.gov/publicat/code/r647/r647.htm and http://le.utah.gov/~code/TITLE40/40_08.htm.

Cultural Resources Survey: To fulfill its obligations under Utah Code Annotated 9-8-404, the Division needs cultural resource (archaeology) information. The amount and type of information required will depend on the mine location, the history of previous disturbance, and other factors. Please contact the Division for further information.

A permit fee of $150 must accompany this application (Utah Code Ann. §40-8-7(1)(i)) and is due annually.

"Small Mining Operations" are operations which have a disturbed area of ten or fewer surface acres at any time in unincorporated areas, or five acres or fewer in incorporated areas.

* * * * * * * * *

I. **GENERAL INFORMATION** (Rule R647-3-104)

Name of Mine:

2.A. Name of Entity Applying for a Permit: DAVID L PENNEY / PENNEY'S GEMSTONES LLC

Contact (Authorized Officer):

RECEIVED E-Mail
JUN 2 0 2013
Div. of Oil, Gas & Mining

Mailing Address: PO BOX 312
City, State, Zip: BEAVER UTAH
Phone: 435-421-9777 / 435-438-6000_____ Fax:
E-mail Address:EP7ART@MAC.COM / DAVID@LTAGALLERY.COM

Entity is a: (___) Corporation, (X) LLC, (___) Sole Proprietorship (dba), (___) Individual,
(___) Partnership (__General, or __limited), (___) Other (specify type)

Business Entity (not individuals) must be registered (and maintain registration) with the State of Utah, Division of Corporations (DOC) If not currently registered, contact HYPERLINK "http://www.commerce.utah.gov" www.commerce.utah.gov to renew or apply.

2.B. Are you currently registered to do business in the State of Utah? (_X__) Yes (___) No

Business Entity #:D78209 / 10679975-003
Local Business License #: _____ (if required)
Issued by: County: _____ or City:

Registered Utah Agent (as identified with the Utah DOC) *(if individual leave blank)*:
Name: _____ Title:

Address:

City, State, Zip:

Phone: _____ Fax:
E-mail Address:

2.C. **Entity's Representative(s) (if different from #2A) authorized and designated to receive notices of violation, cessation orders, and all other notices to be given to the permittee or operator by the Division.**

Name: _____ Title:

Address:

City, State, Zip:

Phone: _____ Fax:
Emergency, Weekend, or Holiday Phone:
E-mail Address:

RECEIVED E-Mail
JUN 2 0 2013
Div. of Oil, Gas & Mining

Name: _____ Title:

Address:

City, State, Zip:

Phone: _____ Fax:
Emergency, Weekend, or Holiday Phone:
E-mail Address:

3. **If Business is a Sole Proprietor (dba) or Individual:**
Name of Owner: _____ Title:

Business Address:

City, State, Zip:

Phone: _____ Fax:
E-mail Address:

If Business is a Corporation:
Name of Officers: _____ Title:

Name: _____ Title:

Name: _____ Title:

Name: _____ Title:

Headquarters Address:

City, State, Zip:

Phone: _____ Fax:
E-mail Address:

If Business is a Limited Liability Company: Member Managed (__) Manager Managed (__)

Name of 1st Member/Manager: DAVID L PENNEY Title: OWNER
Business Address: SAME AS ABOVE

RECEIVED E-Mail

JUN 2 0 2013

Div. of Oil, Gas & Mining

City, State, Zip:

Phone: _____ Fax:
E-mail Address:

Name of 2nd Member/Manager: _____ Title:

Business Address:

City, State, Zip:

Phone: _____ Fax:
E-mail Address:

If Business is a Partnership:
Names of Partners:

Business Address:

City, State, Zip:

Phone: _____ Fax:
E-mail Address:

If Business is a Partnership:
Names of Partners:

Business Address:

City, State, Zip:

Phone: _____ Fax:
E-mail Address:

RECEIVED E-Mail
JUN 2 0 2013
Div. of Oil, Gas & Mining

5. **Ownership of Land Surface:**

Private (Fee) (__) BLM (_X_) US Forest Service (__)
State Trust Land/School Sections (__) State Sovereign Lands (__)
Other (please describe):

Name _____ Address

Name _____ Address

Name _____ Address

Name _____ Address

6. **Ownership of Minerals:**

Private (Fee) (__) BLM (__) US Forest Service (__)
State Trust Land/School Sections (__) State Sovereign Lands (__)
Other (please describe): CLAIMANT: DAVID L PENNEY

Name _____ Address

Name _____ Address

Name _____ Address

Name _____ Address

BLM Claim Number(s):

Utah State Lease Number(s):

BLM/USFS Lease or Project File Number(s): SLIVER 1 & 2

Name of Claiment(s):DAVID L PENNEY

7. **Have the above surface and mineral owners been notified in writing?** Yes No

If no, why not?

RECEIVED E-Mail
JUN 2 0 2013
Div. of Oil, Gas & Mining

8. **Does the Entity have legal right to enter** and conduct mining operations on the land covered by this notice? Yes
No

What is the pre-mining land use, i.e. cropland, grazing, wildlife habitat?
MINING & WILDLIFE HABITAT_____

What is the postmining land use?
MINING & WILDLIFE HABITAT_____

*Please be advised that if State Trust Lands are involved, notification to the Division of Oil, Gas and Mining alone does not satisfy the notification requirements of Mineral Leases upon State Trust Lands. Exploration or mining activity on State Trust Lands requires a minimum of 60 days notice to the Trust Lands Administration **prior** to commencing any activities. Please contact the School Institutional Trust Lands Administration (SITLA) at (801) 538-5508 for notification requirements.*

II. PROJECT LOCATION & MAP (Rule R647-3-105)

1. **Project Location & Map** (legal description):

County(ies):

Section: 20Township: 29S_Range:9W

UTM East: _____(if known)UTM North:
(If known)

Name of Quad Map for Location:

2. **Is the project within an incorporated area?** (___) Yes (__X_) No
If yes, what is the town or city? _____
3. **Location and Operations maps** must be plotted at a scale to accurately identify locational landmarks and operations details. All maps must include a north arrow, scale, appropriate labels, and title box including the mine name, township, range and section.

a. The **general location map** must be the scale of a USGS 7.5 minute series map or equivalent (1"=2000') and identify new or existing access roads.

b. The **operations map** (1"=200' or other scale as determined necessary by the Division) must be labeled and identify:

i. The area to be disturbed;
ii. The location of any existing or proposed operations including access roads, drill holes, trenches, pits, shafts, cuts, or other planned activities; and
iii. Any adjacent previous disturbance for which the operator is not responsible.

RECEIVED E-Mail

JUN 2 0 2013

Div. of Oil, Gas & Mining

(Contact the Division for a list of consultants and land surveyors for mapping assistance.)

4. The proposed (5 acre or less) disturbed area (including access/haul roads) should be marked ON THE GROUND with metal T-Posts (or with some other marker of equal effectiveness). Markers should be appropriately spaced so that the next marker in either direction is clearly visible with the naked eye.

III. OPERATION PLAN (Rule R647-3-106)

1. **Type of mining:** Surface (_X__) Underground (____)
2. **Mineral(s) to be mined:** GEMSTONES

Amount of material to be extracted, moved, or proposed to be moved: 100 TO 200 TONS PER YEAR

Will any **water, liquid chemicals, reagents, or other solutions** be used, produced or discharged as part of the mining or milling process? Yes (__) No (_X_) If yes, please describe (add extra pages if needed):

Provide a brief **description of the proposed mining operation**, and onsite processing facilities (add extra pages if necessary). SAME AS THE PREVIOUS 20 YEARS, NO ONSITE FACILITIES ARE NEEDED.The operations plan calls for continued small scale, selective quarrying at an existing Division-permitted mine site, and expansion of that operations area to a maximum of 10 acres. Any ore and including the current gemstone to be mined anywhere within the claimed acreage. Operations area will encompass the entire claim area encompassed by the Sliver 1 and 2 unpatented mining claims (as shown on the attached map). Access to the site is via existing County-maintained roads. Quarrying has been and will continue to be carried out on a campaign-basis (once or twice annually) for a period of a month or so. All mining is carried out using a tracked excavator. Elongate quarrying cuts will be opened and extended along natural outcrops of a veined, silicified marble, marketed under the name Picasso Marble, Picasso Jasper Gemstone. The marble section is 5-10' in thickness and nearly vertically oriented. The outcrops occur on a slope of ~20 degrees. Available soil cover and vegetation will be pre-stripped and placed adjacent to and uphill of the quarry cut. Waste rock adjacent to the marble that must be excavated to provide access to the marble will be side cast into a waste dump immediately downhill of the quarry cut opening. Quarry cut depths would typically be up to 20-30' deep. Marketable marble recovered from the mining campaigns will be transported offsite as part of the campaign via semi-truck and trailer and stored on private land until sold.

RECEIVED E-Mail
JUN 2 0 2013
Div. of Oil, Gas & Mining

6. (__) **New Road(s)**: Length _____(ft), Width _____(ft)

7. (__) **Improved Road(s)**: Describe improvements that need to be made to existing roads to access the site, including the Length _____ (ft) and Width _____ (ft) **of new disturbances**.

8. Total project surface **acreage to be disturbed**: _____(acres) PLEASE SPECIFY EXACT ACREAGE *(this will be used to determine surety bond amount – see #VI)*.

Reclamation will consist of backfilling of the quarry cuts utilizing the side cast waste rock to approximate natural contours. Any salvaged topsoil placed about the quarry cut would then be replaced on the backfilled cut area. All disturbed areas would be broadcast seeded with a seed mix specified by the BLM/Division.

Proposed **startup date** (month, year):
Proposed **completion**, if known (month, year):

RECEIVED E-Mail
JUN 2 0 2013
Div. of Oil, Gas & Mining

IV. OPERATION AND RECLAMATION PRACTICES (Rule R647-3-107, 108 & 109)

The reclamation and operation obligation is to keep the area clean and safe, minimize hazards to public safety, return the land to a useful condition, and reestablish at least 70 percent of the premining vegetative ground cover or within practical limits. To accomplish this, the Permittee / Operator will need to perform reclamation concurrently, or at the completion (within one (1) year) of mining. Please refer to The Practical Guide to Reclamation in Utah, available at::

https://fs.ogm.utah.gov/pub/MINES/Coal_Related/RecMan/Reclamation_Manual.pdf.

1. *Keep the mining operation in a safe, clean, and environmentally stable condition.*
2. *Permanently seal all shafts and tunnels to prevent unauthorized or accidental entry.*
3. *Plug drill holes with a five foot cement surface plug. Holes that encounter fluids are to be plugged in the subsurface to prevent aquifer contamination.*
4. *Construct berms, fences, or barriers, when needed, above highwalls and excavations.*
5. *Remove, isolate, or neutralize all toxic materials in a manner compatible with federal and state regulations.*
6. *Remove all waste or debris from stream channels.*
7. *Dispose of any trash, scrap metal, wood, machinery, and buildings.*
8. *Conduct mining activities so as to minimize erosion and control sediment.*
9. *Reclaim all roads that are not part of a permanent transportation system.*
10. *Stockpile topsoil and suitable overburden prior to mining.*
11. *Stabilize highwalls by backfilling or rounding to 45 degrees or less, where feasible; reshape the land to near its original contour, and redistribute the topsoil and suitable overburden.*
12. *Properly prepare seedbed to a depth of six inches by pocking, ripping, discing, or harrowing. Leave the surface rough.*
13. *Reseed disturbed areas with adaptable species. (The Division recommends a mixture of species of grass, forb, and browse seed, and will provide a specific species list if requested.)*
14. *Plant the seed with a rangeland or farm drill, or broadcast the seed. Fall is the preferred time to seed.*

RECEIVED E-Mail

JUN 2 0 2013

Div. of Oil, Gas & Mining

V. VARIANCE REQUEST (Rule R647-3-110)

Any variance must be approved writing *in advance* by the Division

Any planned deviations from Rules R647-3-107, Operation Practices, R647-3-108, Hole Plugging Requirements, or R647-3-109, Reclamation Practices, as summarized above (see IV. Operation and Reclamation Practices Item # 1-14), should be identified below listing applicable rule number. Give justification for the variance(s) and alternate methods or measures to be utilized to meet the intent of the rule. Written approval from the Division will be given, if the proposed alternative methods to be used are consistent with the Act.

Are variances being requested? Yes (__) No (_X_)

Variance Requested

Item # Applicable Rule

Justification:

Alternate methods or measure to be utilized:

Attach additional page(s) if more variances are requested.

VI. SURETY (Utah Code Ann. §40-8-7(1)[c])

A reclamation contract and surety must be provided to and approved by the Division prior to commencement of operations. No surface disturbance is authorized until the surety is posted and approved in writing. The surety may be provided in the form of a certificate of deposit, a letter of credit, a surety bond, or cash. Please contact the Division for further information about submitting the surety. All mining operations are required to furnish and maintain reclamation surety to guarantee that the land affected is reclaimed (Utah Code Ann. §40-8-7(1)[c]).

The reclamation surety amount is based on the nature, extent and duration of operations. The amounts are based on data from current large mine surety and are used as a general guide, along with actual site conditions. Reclamation surety for small mines is reviewed every three (3) or five (5) years and adjusted as necessary for inflation/deflation based upon acceptable Costs Index. **Contact the Division for the dollar amount required for a three (3) or five (5) year period for this project.**

RECEIVED E-Mail

JUN 20 2013

Div. of Oil, Gas & Mining

VII. SIGNATURE REQUIREMENT

CERTIFICATION

I state under penalty of perjury under the laws of the state of Utah and the United States of America that:

a. I have read this form and declare the information, statements and/or documentation are true, correct and complete to the best of my knowledge and belief; AND

I commit to the reclamation of the aforementioned small mining project as required by the Utah Mined Land Reclamation Act (40-8) and the rules as specified by the Board of Oil, Gas and Mining.

This certification must be signed by: (1.) an executive officer if the applicant is a corporation; (2.) a partner if applicant is a partnership (general or limited); (3.) the owner if applicant is a sole proprietorship; **or** (4.) the member or manager if applicant is a limited liability company.

Signature: _____ Date: 06/20/2013

Name (typed or printed):DAVID L PENNEY

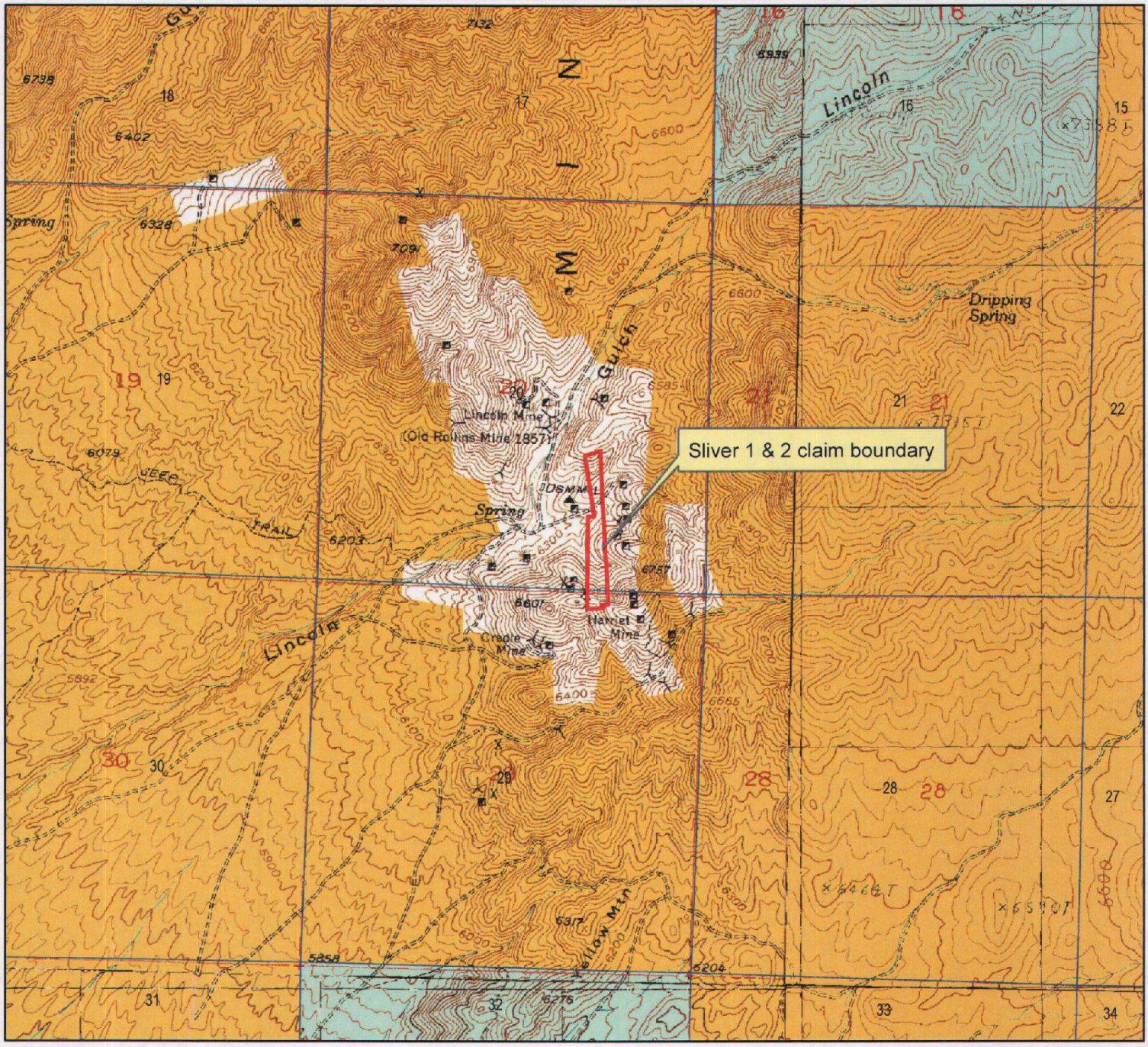
Title/Position (if applicable):OWNER

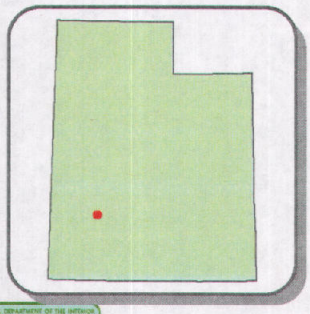
FILENAME \p O:\FORMS\Notices\mr-smo-07252012.doc

UTU-89676
Penney Picasso Mine: Sliver 1 & 2 claims
T. 29 S., R. 9 W., sec. 20: SE
Beaver County, UT

RECEIVED E-Mail
JUN 2 0 2013
Div. of Oil, Gas & Mining

State of Utah
BLM Cedar City Field Office





1:24,000

0 6,800 Feet

United States Department of the Interior
Bureau of Land Management
Utah BLM Office

N
W E
S

CAUTION:
Land ownership data is derived from less accurate data than the 1:24000 scale base map. Therefore, land ownership may not be shown for parcels smaller than 40 acres, and land ownership lines may have plotting errors due to source data.

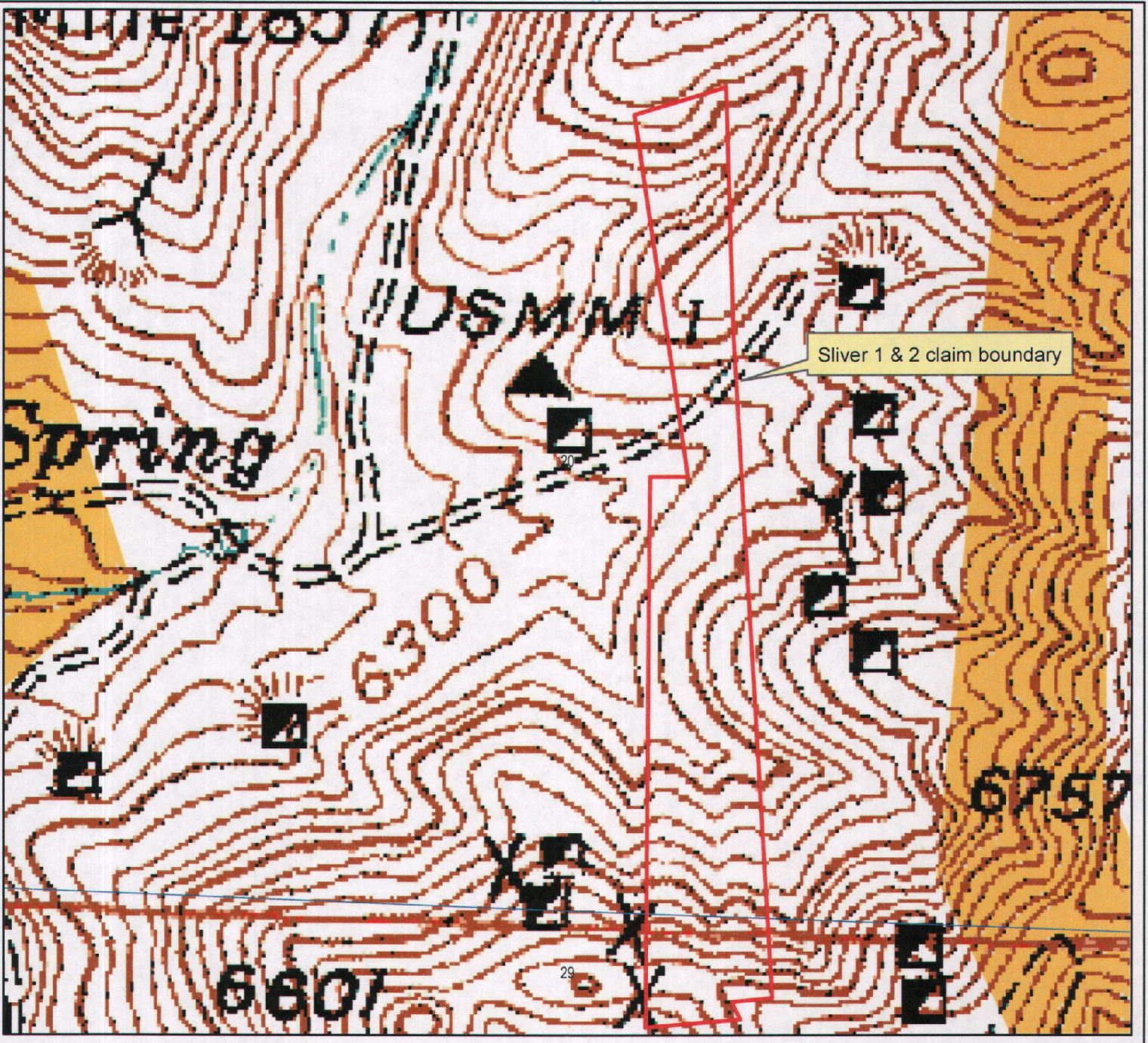
No warranty is made by the Bureau of Land Management for the use of the data for purposes not intended by the BLM.

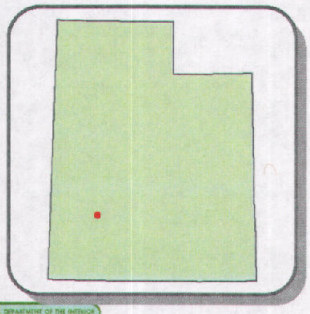
Map created on May 06, 2009

UTU-89676
Penney Picasso Mine: Sliver 1 & 2 claims
T. 29 S., R. 9 W., sec. 20: SE
Beaver County, UT

RECEIVED E-Mail
JUN 2 0 2013
Div. of Oil, Gas & Mining

State of Utah
BLM Cedar City Field Office





1:4,000

0 1,100 Feet

United States Department of the Interior
Bureau of Land Management
Utah BLM Office

N W E S

CAUTION:
Land ownership data is derived from less accurate data than the 1:24000 scale base map. Therefore, land ownership may not be shown for parcels smaller than 40 acres, and land ownership lines may have plotting errors due to source data.

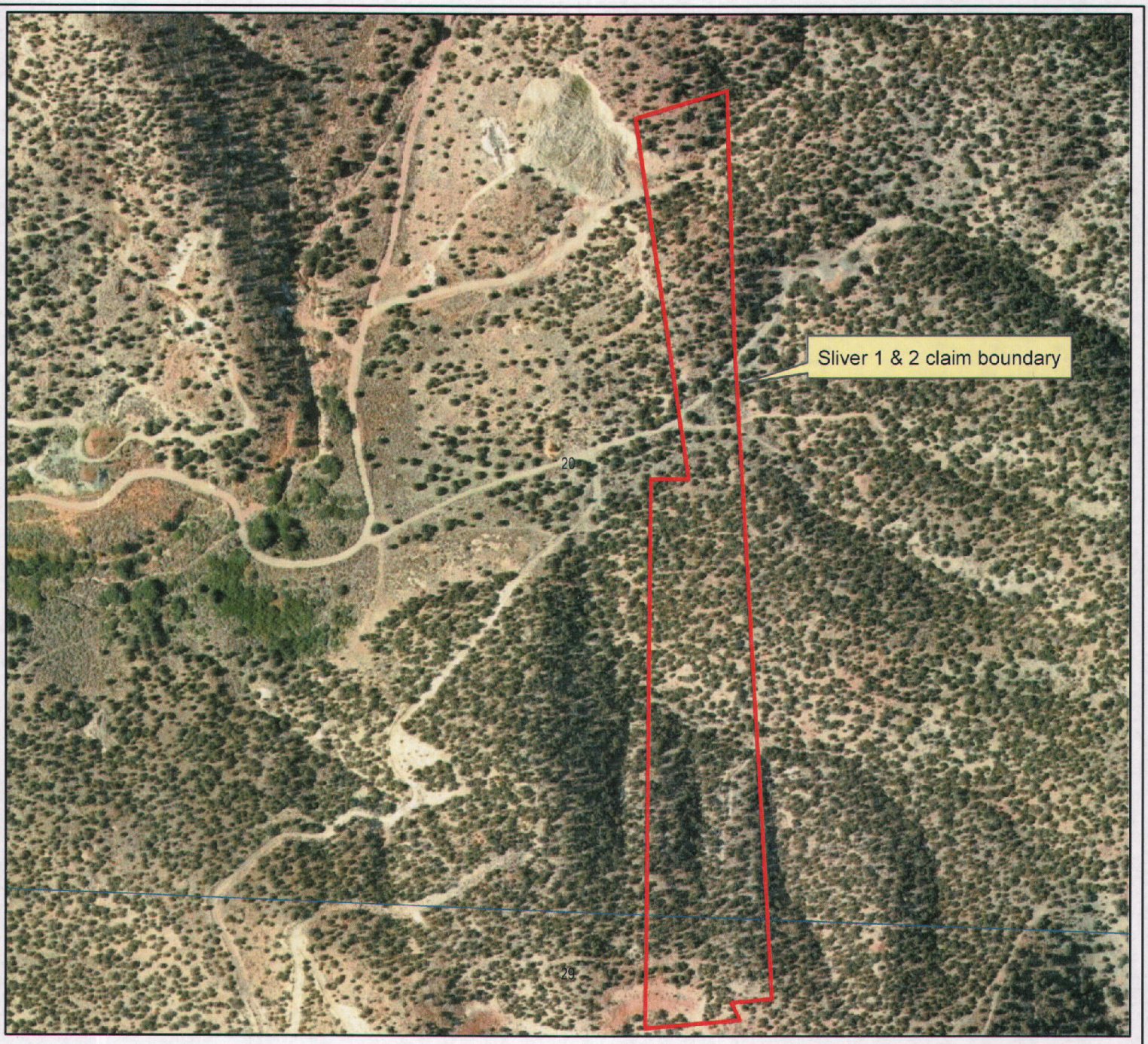
No warranty is made by the Bureau of Land Management for the use of the data for purposes not intended by the BLM.

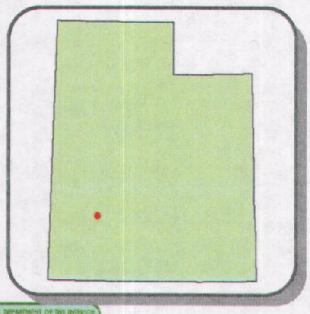
Map created on May 06, 2009

UTU-89676
Penney Picasso Mine: Sliver 1 & 2 claims
T. 29 S., R. 9 W., sec. 20: SE
Beaver County, UT

RECEIVED E-Mail
JUN 20 2013
Div. of Oil, Gas & Mining

State of Utah
BLM Cedar City Field Office





1:4,000

0 1,100 Feet

United States Department of the Interior
Bureau of Land Management
Utah BLM Office

Map created on May 06, 2009

N W E S

CAUTION:
Land ownership data is derived from less accurate data than the 1:24000 scale base map. Therefore, land ownership may not be shown for parcels smaller than 40 acres, and land ownership lines may have plotting errors due to source data.

No warranty is made by the Bureau of Land Management for the use of the data for purposes not intended by the BLM.