State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

M/003/026

December 14, 1999

CERTIFIED RETURN RECEIPT
P 074 976 792

Lon Thomas
American Stone, Incorporated
4040 South 300 West
Salt Lake City, Utah 84107

Re: Reclamation Contracts for "Interim" Sureties

Dear Mr. Thomas:

It has been brought to our attention by our Assistant Attorney General that we are required to have a Reclamation Contract (Form MR-RC) accompany each of our "Interim" sureties. At the present time, the Division is holding interim bonds for your Cotton Thomas (M/003/024), Peoa Blonde (M/043/012), Heber Quarry (M/051/001) and Rosebud Quarry (M/003/026) mine sites. We do not have Reclamation Contracts for these sites.

Enclosed are four Reclamation Contract Agreements for each of your "Interim" surety bonds on file with our office and a guideline for completing the forms. To assist you in this regard, we have partially completed the reclamation contract for each of the four sites with information we already have on record. Please review the forms for accuracy, make duplicate ***draft*** copies of each, then finish completing each draft contract form. If possible, please return the ***draft*** completed contracts to us by mail or facsimile within 10 days from your receipt of this letter. We will review the draft forms for accuracy and completeness, then notify you of any necessary changes so that you can finalize and mail us the original contract forms.

If you have any questions regarding this letter or these forms, please contact me or Joelle Burns at 538-5286 and 538-5291 respectively. Thank you for your assistance in completing this process.

Sincerely,

D. Wayne Hedberg

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
Enclosures: 4 partially completed RC's for Interim Surety, guidelines
o:\thomas\MR-RC (interim)

FORM MR-RC (Interim Surety)
December 10, 1999
RECLAMATION CONTRACT for "INTERIM" SURETY

File Number M/003/026

Effective Date _____

Other Agency File Number _____

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
(801) 538-5291
Fax: (801) 359-3940

RECLAMATION CONTRACT for "INTERIM" SURETY

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) M/003/026
(Mineral Mined) Flagstone

"MINE LOCATION":
(Name of Mine) Rosebud
(Description)

"DISTURBED AREA":
(Disturbed Acres)
(Legal Description) (refer to Attachment "A")

"OPERATOR":
(Company or Name) American Stone, Inc.
(Address) 4040 South 300 West
Salt Lake City, Utah 84107

(Phone) (801) 262-4300

"OPERATOR'S REGISTERED AGENT":
(Name)
(Address)

(Phone)

"OPERATOR'S OFFICER(S)":

"SURETY":
(Form of Surety - Attachment B) Certificate of Deposit

"SURETY COMPANY":
(Name, Policy or Acct. No.) First Security Bank

"SURETY AMOUNT":
(Escalated Dollars) $36,000

"ESCALATION YEAR":

"STATE": State of Utah
"DIVISION": Division of Oil, Gas and Mining
"BOARD": Board of Oil, Gas and Mining

ATTACHMENTS:
A "DISTURBED AREA":
B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between American Stone, Inc. the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/003/026 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated July 16, 1999, and the original Reclamation Plan dated July 16, 1999. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.

2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.

3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.

4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.

5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.

6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face

amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.

8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.

9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.

10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.

11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.

12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.

13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.

14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

American Stone, Inc.
Operator Name

By _____
Authorized Officer (Typed or Printed)

_____
Authorized Officer - Position

_____ _____
Officer's Signature Date

STATE OF _____)
) ss:
COUNTY OF _____)

On the _____ day of _____, 19 _____, personally appeared before me _____ who being by me duly sworn did say that he/she, the said _____ is the _____ of _____ and duly acknowledged that said instrument was signed on behalf of said company by authority of its bylaws or a resolution of its board of directors and said _____ duly acknowledged to me that said company executed the same.

_____
Notary Public
Residing at: _____

_____
My Commission Expires:

DIVISION OF OIL, GAS AND MINING:

By_____ _____
Lowell P. Braxton, Director Date

STATE OF _____)
) ss:
COUNTY OF _____)

On the _____ day of _____, 19 _____, personally appeared before me _____, who being duly sworn did say that he/she, the said _____ is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she duly acknowledged to me that he/she executed the foregoing document by authority of law on behalf of the State of Utah.

_____
Notary Public
Residing at:_____

_____
My Commission Expires:

ATTACHMENT "A"

American Stone, Inc.
Operator

Rosebud
Mine Name

M/003/026
Permit Number

Box Elder County, Utah

The legal description of lands to be disturbed is: