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JUN 23 2000

DIVISION OF
OIL, GAS AND MINING

M/003/026

Star Stone Quarries, Inc.
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June 21, 2000

Mr. D. Wayne Hedberg
Division of Oil, Gas, and Mining
P. O. Box 145801
Salt Lake City, Utah 84114-5801

Dear Wayne:

Star Stone Quarries, Incorporated proposes a change in the method reclamation surety estimates are set up with the Division of Oil, Gas, and Mining. Reclamation surety estimates are now set up with an inflation factor projected forward five years from the time the estimate is completed. The current escalation is 3.27% per year compounded annually. DOGM requires the full amount be bonded at the time the estimate is set up, even though the full amount is not actually needed for reclamation until five years into the future.

We propose to set up the bonding in a way that will meet current up front financial requirements for Star Stone Quarries, and still provide DOGM with the total bonding required at the time reclamation commences. We are aware of three forms of bonding that may be acceptable with DOGM; certificates of deposit, an escrow account, or a surety bond. Current bonding is set up in the form of certificates of deposit (CD's). The principal is guaranteed to DOGM, and the interest is paid to the person(s) who set up the certificate of deposit.

On May 17, David Ryzak discussed the subject with Tony Gallegos of DOGM. Tony suggested an alternative method for reclamation bonding can be in the form of an escrow account. At this time we do not have details how an escrow account might be set up. The method proposed for setting up C/D accounts will effectively be the same as setting up an escrow account.

A third form of bonding can be a surety bond with an insurance company. A surety bond will pay DOGM the full amount for reclamation required if Star Stone defaults on completing the required reclamation. A Salt Lake company, Fred A. Moreton & Company does write surety bonds for reclamation projects. Information is being gathered to determine whether this method of bonding is practical for the corporation.

The proposal set forth below is based on bonding set up in the form of C/D's. The certificate of deposit can be set up so that the increase in value of 3.27% per year is added to the value of the principal prior to any excess being paid to Star Stone. Interest will be added at the time it is paid by the bank. Interest on C/D's is usually paid quarterly. The guaranteed principal will be the amount after any penalty for early withdrawal. The escalation rate will be adjusted up or down as needed by DOGM.

A standard C/D is usually set up so the interest is added quarterly. If a standard C/D is set up, any excess interest will be paid to Star Stone Quarries or their agent when the C/D is redeemed.

The principal cannot be changed during the term of the C/D, however it increases as interest is added.

Another type of C/D allows interest to be withdrawn or added to the principal for a limited number of days at the beginning of each quarter. The interest can be split so that the required portion is added to the principal. The excess portion can be paid directly to the account holder.

Star Stone Quarries, Inc. or American Stone, Inc. has several C/D's set up through First Security Bank. Interest is withdrawn at the end of each quarter. In order for the proposal to work correctly, it will be necessary to set up new C/D's so that the interest will be added to the principal.

With interest rates rising, there should be no problems setting up a C/D paying more than 3.27% interest. First Security Bank has a special on a C/D rate through June 30. They are paying 7% for 24 months for a minimum of $2,500 invested. A 48 month C/D is paying 6.13% interest with a $500 minimum. C/D's not on a special rate are paying at least 5% interest.

First Security Bank has another type of C/D which allows interest to be withdrawn, or added to the principal for a limited number of days at the beginning of each quarter. The interest can be split so that the required amount is added to the principal. The remaining interest can be paid to the account holder. Interest rates are 3.27% for C/D's under $10,000, rising to 5.77% for deposits above $25,000. The minimum rate which will be compounded at 3.36%, is more than enough to meet DOGM's requirements.

The following section addresses surety reclamation estimates at each quarry property required to be bonded with DOGM.

Star Stone proposed a reclamation surety estimate for the Cotton Thomas Mine NOI (M/003/024, Box Elder County) dated May 19, 2000, for $98,600 after factoring in escalation for five years. The subtotal before the escalation is $83,947. The difference is $14,653 in excess bonding not needed at the beginning of the reclamation period. Star Stone proposes to provide $83,947 at the beginning of the five year period, and guarantee to increase the amount 3.27% per year annually.

The value of the principal amount to DOGM will increase as shown in the following table at a escalation rate of 3.27% per year.

Beginning principal $83,947.00.
Guaranteed principal after year 1: $86,692.07
Guaranteed principal after year 2: $89,526.90
Guaranteed principal after year 3: $92,454.43
Guaranteed principal after year 4: $95,477.69
Guaranteed principal after year 5: $98,599.81
We will have the principal rounded up in the fifth year to $98,600.

Star Stone proposed a reclamation surety estimate for the Heber Mine NOI (M/051/001, Wasatch County) dated March 31, 2000, for $37,459 after factoring in escalation for five years. The subtotal before the escalation is $31,892. The difference is $5,567 in excess bonding not needed at the beginning of the reclamation period. Star Stone proposes to provide $31,892 at the beginning of the five year period, and guarantee to increase the amount 3.27% per year annually.

The value of the principal amount to DOGM will increase as shown in the following table at a escalation rate of 3.27% per year.

Beginning principal $31,892.00.
Guaranteed principal after year 1: $32,934.87
Guaranteed principal after year 2: $34,011.84
Guaranteed principal after year 3: $35,124.03
Guaranteed principal after year 4: $36,272.58
Guaranteed principal after year 5: $37,458.69
We will have the principal rounded up in the fifth year to $37,459.

DOGM has set a reclamation surety estimate for the Peoa Mine NOI (M/043/012, Summit County) dated May 3, 2000, for $50,600 (rounded) after factoring in escalation for five years. The subtotal before the escalation is $43,109. The difference is $7,491 (rounded) in excess bonding not needed at the beginning of the reclamation period. Star Stone proposes to provide $43,109 at the beginning of the five year period, and guarantee to increase the amount 3.27% per year annually.

The value of the principal amount to DOGM will increase as shown in the following table at a escalation rate of 3.27% per year.

Beginning principal $43,109.
Guaranteed principal after year 1: $44,518.66
Guaranteed principal after year 2: $45,974.42
Guaranteed principal after year 3: $47,477.79
Guaranteed principal after year 4: $49,030.31
Guaranteed principal after year 5: $50,633.60
We will have the principal rounded down in the fifth year to $50,600 to match the surety amount calculated by DOGM.

Star Stone proposed a reclamation surety estimate for the Rosebud Mine NOI (M/003/026, Box Elder County) dated March 9, 2000, for $24,977 after factoring in escalation for five years. The subtotal before the escalation is $21,265. The difference is $3,712 in excess bonding not needed at the beginning of the reclamation period. Star Stone proposes to provide $21,265 at the beginning of the five year period, and guarantee to increase the amount 3.27% per year annually.

The value of the principal amount to DOGM will increase as shown in the following table at a escalation rate of 3.27% per year.

Beginning principal $21,265.
Guaranteed principal after year 1: $21,960.37
Guaranteed principal after year 2: $22,678.47
Guaranteed principal after year 3: $23,420.06
Guaranteed principal after year 4: $24,185.89
Guaranteed principal after year 5: $24,976.77
We will have the principal rounded up in the fifth year to $24,977.

The subtotal bonding proposed for all properties is:

Cotton Thomas Mine	$83,947
Heber Mine	$31,892
Peoa Mine	$43,109
Rosebud Mine	$21,265
Subtotal for All Mines	$180,213

The subtotal bonding proposed for all properties is $180,213. The guaranteed principal after year 5 is will be $211,669. The value of the principal amount to DOGM will increase as shown in the following table at a escalation rate of 3.27% per year.

Beginning principal $180,213.
Guaranteed principal after year 1: $186,105.97
Guaranteed principal after year 2: $192,191.63
Guaranteed principal after year 3: $198,476.30
Guaranteed principal after year 4: $204,966.47
Guaranteed principal after year 5: $211,668.88
We will have the principal rounded up in the fifth year to $211,669.00.

Star Stone Quarries recognizes that the final bonding requirements for each property may be different from the amounts proposed. The examples show the method and rate at which the value of the bonding will increase over the 5-year period. If the examples were to be the accepted surety estimates, the up front savings to Star Stone Quarries will be $31,456.

We appreciate your consideration of this proposal. Please review it and let us know if this is a workable method.

Sincerely,

Lon Thomas
President, Star Stone Quarries, Inc.