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

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S/003/034

September 23, 2003

David Penney
2400 East 30 South
Box 312
Beaver, Utah 84713

Subject: Documentation of Phone Conversation Regarding Operator Name on Mining Notices, Transfer is Required for: Green Chameleon (E/001/148), Sliver 1-2 (S/001/035), Lost Gems #1 (S/001/056), Sliver 3-4 (S/001/057), Lucin Variscite (S/003/034), Little Spot (S/027/024), Pretty in Pink (S/027/073), White Tiger (S/027/093), Rapunzel (S/023/083), Carol Mine (S/001/064), Fantasy Land Jasper (S/027/096), Beaver, Box Elder, Juab and Millard Counties, Utah

On September 12, 2003, we received your request to change the operator name of the above mentioned mining and/or exploration projects to Penney's Gemstones, LLC or Earth's Partners, LLC. On September 18, 2003, we notified you that we would change the operator name as requested, except we would not add LLC (Limited Liability Corporation), to the name. You were also advised that if our legal counsel determined that a permit transfer be completed to make this change legal, we would inform you of that at a later date.

This letter is to officially notify you that our legal counsel has advised us that if you wish to transfer the mining permits to a LLC, an official transfer of the permit is required. **We have changed the operator name on our records back to David L. Penney for these mining permits.**

We have enclosed two transfer forms: 1) form MR-TRE for the Green Chameleon – file number E/001/148; and 2) form MR-TRS for the remaining small mining projects. Please make copies of the form and submit one for each site you wish to transfer to the LLC. Before completing the transfer form, you will need to complete your applications with the Division of Corporations. To date, their records show: Penney's Gemstones with David L. Penney as "applicant", and Earth's Partners with S. Heather Scholz and David L. Penney as "applicants". Neither of these show the acronym of LLC (which it needs to be if you intend it to be a Limited Liability Corporation). You will also need to include the corporation officers; i.e. President, Vice President, Secretary, etc. (not just applicant).

On May 5, 2003, the Utah State Legislature placed into the mining law, a requirement that all sites be bonded for reclamation purposes. We are presently requiring bonds for ALL new applications at the rate of a minimum of $5,000 for the 1st acre and $3,000 for each additional acre (partial acreages are rounded up to the next highest #). A transfer to another entity/operator would fall under the requirement of being a "new" application. Please be advised that with these transfers all your projects need to be bonded, either with the BLM or with this office.

It is our understanding that at the present time, you have a nation wide reclamation bond posted with the BLM. In order for this office to acknowledge that bond, the BLM will need earmark a definite amount for **each** mine site. We do not recognize or accept blanket bonds unless this assignment has been made. The Division is finalizing rules in order to implement the Utah State Legislature directive. When the rules are in place, we will review the permits presently being bonded by the BLM to see if the bonds are sufficient.

Thank you for your understanding in this regard. Please contact me if you have any questions or concerns regarding this letter.

Sincerely,

Tom Munson

Tom Munson, Senior Reclamation Hydrologist
Utah Division of Oil, Gas and Mining

TM:jb
Enclosure: MR-TRE & MR-TRS
cc: Steve Alder, AAG
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