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

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

James W. Carter
Division Director

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

June 25, 1997

CERTIFIED RETURN RECEIPT
P 074 976 589

Harold Marston
Jay Pagano Estate
P.O. Box 136
Wellington, Utah 84501

Re: Release of Reclamation Surety, Pagano Clay, Pagano Clay Mine, M/015/062, Emery County, Utah

Dear Mr. Marston:

The Division hereby releases the reclamation surety posted for the Pagano Clay mine. Surety bond # with Federal Insurance Company for $3,700 is enclosed for your disposal. The original copy of the Reclamation Contract is enclosed for your disposal as well.

The surety and reclamation plan for the Pagano Clay Mine are separate from the surety and mine plan for the ECDC Clay Mine, although both operations are listed in Division files under the same file number. Release of this surety will close out the Pagano Clay portion of the Division file and effectively cancel the Reclamation Plan for the Pagano Clay Mine only. The reclamation surety of $20,600 for the ECDC Clay Mine's 18 acres of disturbance will continue to be retained by the Division and their Reclamation Contract will still be in effect. The ECDC file number will remain as M/015/062.

Thank you for your cooperation in performing the required reclamation. If you have any questions in this regard, please contact Wayne Hedberg by phone at (801) 538-5286 or Tony Gallegos at (801) 538-5267.

Very truly yours,

Lowell P. Braxton
for

James W. Carter
Director

jb
Enclosures: (1) Surety Bond # , (2) Pagano Clay Reclamation Contract
cc: Federal Insurance Company, Surety Dept. 15 Mountain View Road, Warren, NJ 07059
Darin Olson, ECDC
Hank Regulski, c/o Ron Klein, Bannock Paving, P.O. Box 4002, Pocatello, ID 83205
John Blake, SITLA
Dean Nyffeler, BLM
m15-62rl.let

FORM MR-RC
Revised May 28, 1993
RECLAMATION CONTRACT

File Number M/015/062

Effective Date 3/8/95

Released & original returned to operator 6-25-97

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
(801) 538-5340

RECLAMATION CONTRACT

---ooOoo---

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

"NOTICE OF INTENTION" (NOI): (File No.) M/015/062
(Mineral Mined) Clay

"MINE LOCATION":
(Name of Mine) Pagano Clay Project
(Description) 8 Miles S.W. of Wellington
Emery County

"DISTURBED AREA":
(Disturbed Acres) 17 Acres
(Legal Description) (refer to Attachment "A")

"OPERATOR":
(Company or Name) Jay Pagano Estate
(Address) P. O. Box 136
Wellington, Utah 84501

(Phone) (801) 637-2806

"OPERATOR'S REGISTERED AGENT":

(Name) Harold R. Marston

(Address) P.O. Box 136
Wellington, Utah 84501

(Phone) (801) 637-2806

"OPERATOR'S OFFICER(S)": N/A

"SURETY":

(Form of Surety - Attachment B) Surety Bond

"SURETY COMPANY":

(Name, Policy or Acct. No.) Federal Insurance Company
Bond No.

"SURETY AMOUNT":

(Escalated Dollars) $3,700.00

"ESCALATION YEAR": 1996 Dollars

"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 Jay Pagano Estate the "Operator" and the Utah State Board of Oil, Gas and Mining ("Board").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/015/062 which has been approved by the Utah State Division of Oil, Gas and Mining "Division" 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 Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board 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 May 5, 1992, and the original Reclamation Plan dated February 18, 1993. 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 Board. 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 Board 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 Board. 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 (Board) 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 (Board) 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 Board to substitute surety. The Board, in its sole judgment and discretion, 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.

Harold R. Marston
Authorized Officer (Typed or Printed)

Harold R. Marston
Authorized Officer's Signature

1-13-95
Date

SO AGREED this 22nd day of March, 1995.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

BY
Dave D. Lauriski, Chairman
Utah State Board of Oil, Gas and Mining

DIVISION OF OIL, GAS AND MINING:

By _____ March 8, 1995
James W. Carter, Director Date

STATE OF UTAH)
) ss:
COUNTY OF SALT LAKE)

On the 8th day of March, 19 95, personally appeared before me, who being duly sworn did say that he/~~she~~, the said JAMES W. CARTER 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.

JANICE L. BROWN
Notary Public
STATE OF UTAH
My Comm. Expires AUG 3, 1998
355 W NO TEMPLE #360 SALT LAKE CITY UT 84180

_____
Notary Public
Residing at: Salt Lake City, Utah

August 3, 1998
My Commission Expires:

Revised May 28, 1993
Form MR-RC

OPERATOR:

Jay Pagano Estate
Operator Name

By Harold R. Marston
Corporate Officer - Position

1-13-95
Date

Harold R. Marston
Signature

STATE OF Utah)
) ss:
COUNTY OF Carbon)

On the 13th day of January, 19 95, personally appeared before me Harold R Marston who being by me duly sworn did say that he/she, the said operator is the Corporate Officer of Jay Pagano Estate. 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 Harold R Marston duly acknowledged to me that said company executed the same.

Katherine G Milburn
Notary Public
Residing at: Price, Utah

KATHERINE G. MILBURN
NOTARY PUBLIC · STATE of UTAH
1111 WEST HIGHWAY 123
EAST CARBON UT 84520
COMM. EXP. 9-24-98

My Commission Expires:

Revised May 28, 1993
Form MR-RC

SURETY:

FEDERAL INSURANCE COMPANY
Surety Company

By Paula T. Peterson, Attorney-in-Fact January 13, 1995
Company Officer - Position Date

Paula T. Peterson
Signature

STATE OF Idaho)
) ss:
COUNTY OF Lemhi)

On the 13th day of January, 19 95, personally appeared before me Paula T. Peterson who being by me duly sworn did say that he/she, the said Paula T. Peterson is the Attorney-in-Fact of Federal Insurance Company 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 Paula T. Peterson duly acknowledged to me that said company executed the same.

LaVinna Stroud
Notary Public
Residing at: Leadore, Idaho

October 26 1999
My Commission Expires:

NOTE: An affidavit of Qualification must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Contract.

ATTACHMENT "A"

Jay Pagano Estate
Operator

Pagano Clay Project
Mine Name

M/015/062
Permit Number

Emery County, Utah

The legal description of lands to be disturbed is:

NE 1/4, NW 1/4, Section 1, Township 16 South, Range 11 East

NW 1/4, NE 1/4, Section 1, Township 16 South, Range 11 East

and

SE 1/4, Section 36, Township 15 South, Range 11 East

POWER OF ATTORNEY
FEDERAL INSURANCE COMPANY
ATTN: SURETY DEPARTMENT

15 Mountain View Road, Warren, NJ 07059
(908) 580-2000

Know all Men by these Presents, That **FEDERAL INSURANCE COMPANY**, an Indiana Corporation, has constituted and appointed, and does hereby constitute and appoint Paula T. Peterson, Jon M. Riche, Dolores Barden, Eric Englund and Brenda J. Lewis of Boise, Idaho ----------

each its true and lawful Attorney-in-Fact to execute under such designation in its name and to affix its corporate seal to and deliver for and on its behalf as surety thereon or otherwise, bonds of any of the following classes, to-wit:

1. Bonds and Undertakings (other than Bail Bonds) filed in any suit, matter or proceeding in any Court, or filed with any Sheriff or Magistrate, for the doing or not doing of anything specified in such Bond or Undertaking.
2. Surety bonds to the United States of America or any agency thereof, including those required or permitted under the laws or regulations relating to Customs or Internal Revenue; License and Permit Bonds or other indemnity bonds under the laws, ordinances or regulations of any State, City, Town, Village, Board or other body or organization, public or private; bonds to Transportation Companies, Lost Instrument bonds; Lease bonds, Workers' Compensation bonds, Miscellaneous Surety bonds and bonds on behalf of Notaries Public, Sheriffs, Deputy Sheriffs and similar public officials.
3. Bonds on behalf of contractors in connection with bids, proposals or contracts.

In Witness Whereof, the said **FEDERAL INSURANCE COMPANY** has, pursuant to its By-Laws, caused these presents to be signed by its Vice President and Assistant Secretary and its corporate seal to be hereto affixed this 8th day of April 19 94

Corporate Seal

FEDERAL INSURANCE COMPANY INDIANA

Kenneth C. Wendel

Kenneth C. Wendel
Assistant Secretary

FEDERAL INSURANCE COMPANY
BY

Gerardo G. Mauriz

Gerardo G. Mauriz
Vice President

STATE OF NEW JERSEY
County of Somerset } ss.

On this 8th day of April 19 94, before me personally came Kenneth C. Wendel to me known and by me known to be Assistant Secretary of **FEDERAL INSURANCE COMPANY**, the corporation described in and which executed the foregoing Power of Attorney, and the said Kenneth C. Wendel being by me duly sworn, did depose and say that he is Assistant Secretary of **FEDERAL INSURANCE COMPANY** and knows the corporate seal thereof; that the seal affixed to the foregoing Power of Attorney is such corporate seal and was thereto affixed by authority of the By-Laws of said Company, and that he signed said Power of Attorney as Assistant Secretary of said Company by like authority; and that he is acquainted with Gerardo G. Mauriz and knows him to be the Vice President of said Company, and that the signature of said Gerardo G. Mauriz subscribed to said Power of Attorney is in the genuine handwriting of said Gerardo G. Mauriz and was thereto subscribed by authority of said By-Laws and in deponent's presence.

Notarial Seal

JANET A. SCAVONE NOTARY PUBLIC

Acknowledged and Sworn to before me
on the date above written.

Janet A. Scavone
Notary Public

JANET A. SCAVONE
Notary Public, State of New Jersey
No. 2050520
Commission Expires October 2, 1994

ATTACHMENT B

MR FORM 5

April 8, 1993

Bond Number _____

Permit Number M/015/062

Mine Name Pagano Clay Project

Release & original returned to operator 6-25-97

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center Suite 350
Salt Lake City, Utah 84180-1203
(801) 538-5340

THE MINED LAND RECLAMATION ACT

SURETY BOND

* *

The undersigned Jay Pagano Estate, as Principal, and FEDERAL INSURANCE COMPANY, as Surety, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors, and assigns, jointly and severally, unto the State of Utah, Division of Oil, Gas and Mining (Division) in the penal sum of Three Thousand Seven Hundred and no/100 dollars ($ 3,700.00* * * * * * * * * * *).

Principal has estimated in the Mining and Reclamation Plan approved by the Division on the 8th day of June, 19 93, that 17 acres of land will be disturbed by mining operation in the State of Utah.

A description of the disturbed land is attached as "Attachment A" to the Reclamation Contract, of which this document is an integral part.

The condition of this obligation is that if the Division determines that Principal has satisfactorily reclaimed the disturbed lands in accordance with the approved Mining and Reclamation Plan and has faithfully performed all requirements of the Mined Land Reclamation Act, and complied with the Rules and Regulations adopted in accordance therewith, then this obligation shall be void; otherwise it shall remain in full force and effect.

If the Mining and Reclamation Plan provides for periodic partial reclamation of the disturbed lands, and if the lands are reclaimed in accordance with such Plan, Act and regulations, then Principal may apply for a reduction in the amount of this Surety Bond.

In the converse, if the Mining and Reclamation Plan provides for a gradual increase in the area disturbed or the extent of disturbance, then, the Division may require that the amount of this Surety Bond be increased, with the written approval of the Surety.

Bond Number _____
Permit Number M/015/062
Mine Name Pagano Clay Project

This bond may be canceled by Surety after ninety (90) days following receipt by the Division and Principal of written notice of such cancellation. Surety's liability shall then, at the expiration of said ninety (90) days, cease and terminate except that Surety will remain fully liable for all reclamation obligations of the Principal incurred prior to the date of termination.

Principal and Surety and their successors and assigns agree to guarantee said obligation and to indemnify, defend, and hold harmless the Division from any and all expenses (including attorney fees) which the Division may sustain in the collection of sums due hereunder.

Surety will give prompt notice to Principal and to the Division of the filing of any petition or the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization, or adjustment of the debts of Surety, or alleging any violation or regulatory requirements which could result in suspension or revocation of the Surety's license to do business.

IN WITNESS WHEREOF, the Principal and Surety hereunto set their signatures and seals as of the dates set forth below.

Date January 13, 1995

Jay Pagano Estate
Principal (Permittee)

By (Name typed): Harold R. Marston

Title: Personal Representative

Signature: Harold R. Marston

Date January 13, 1995

FEDERAL INSURANCE COMPANY
Surety

By (Name typed): Paula T. Peterson

Title: Attorney-in-Fact

Signature: Paula T. Peterson

Bond Number _____
Permit Number M/015/062
Mine Name Pagano Clay Project

SO AGREED this 22nd day of March, 1995.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

Dave D. Lauriski, Chairman
Utah State Board of Oil, Gas and Mining

*NOTE: Where one signs by virtue of Power of Attorney for a Surety, such Power of Attorney must be filed with this bond. If the Operator is a corporation, the bond shall be executed by its duly authorized officer.

Bond Number _____
Permit Number M/015/062
Mine Name Pagano Clay Project

AFFIDAVIT OF QUALIFICATION

Paula T. Peterson, being first duly sworn, on oath deposes and says that he/she is the (officer or agent) agent (Attorney-in-Fact) of said Surety, and that he/she is duly authorized to execute and deliver the foregoing obligations; that said Surety is authorized to execute the same and has complied in all respects with the laws of Utah in reference to becoming sole surety upon bonds, undertaking and obligations.

Signed: Paula T. Peterson
Surety Officer
Paula T. Peterson

Title: Attorney-in-Fact

Subscribed and sworn to before me this 13th day of January, 19 95.

LaVinna Stroud
Notary Public
Residing at: Leadore, Idaho

My Commission Expires:

October 26, 1999