JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA
Division Director

March 30, 2007

Dan Sheppard
Goldterra
4088 East Airport Road
P. O. Box 783
Price, Utah 84501

Subject: Reclamation Surety and Reclamation Contract, Goldterra, Black Knight Mine, S0150078, Emery County, Utah

Dear Mr. Sheppard:

On March 20, 2007, the Director of the Division of Oil, Gas and Mining signed the reclamation contract for the Black Knight Mine Project Notice of Intention to Commence Small Mining Operations (NOI), file number S0150078. A copy of the executed reclamation contract/surety is enclosed for your records. This action has made it possible for your existing reclamation surety to be in place with the Division; however, you should note that there are deficiencies either in your Notice of Intent or in your surety/bond amount that need to be rectified.

The amount of surety/bond that is currently posted does not correspond with the information in your NOI. The surety is based on one acre of disturbance, but the NOI says the disturbance will be five acres including 10 drill holes. Since your NOI indicates you may disturb up to five acres, the Division must assume this much area could be disturbed. At the present time the average cost estimate for the first acre is $5400 with $3300 for each additional acre, which amounts to $18,600 for a five-acre site. The actual disturbance is about one acre, and the surety you submitted is adequate for this much area.

Unless you decide to reclaim the site, there are two options available:

1. Amend the NOI to reflect the actual disturbance area.

2. Submit an additional $13,200 in surety.

To amend the NOI, please file form MR-REV-SMO/EXP together with replacement pages for the NOI. Copies of the form and of pages from the NOI are enclosed.

If you have questions or concerns regarding this letter, please contact me at (801) 538-5325 or Paul Baker at 538-5261. Thank you for your help in completing this very important regulatory requirement.

Sincerely,

Daron R. Haddock
Permit Supervisor
Minerals Regulatory Program

DRH:pb
Enclosure: Copy of reclamation contract/surety
Form MR-REV-SMO/EXP
Pages and Maps from NOI
cc: Beth Ericksen
Will Stokes, SITLA
P:\GROUPS\MINERALS\WP\M015-Emery\S0150078-BlackKnight\draft\app-def-03272007.doc

FORM MR-REV-SMO/EXP

Instructions to Revise a Notice of Intention to Commence Small Mining Operations or Exploration

When a Notice of Intention to Commence Small Mining Operations or Exploration (Notice) requires change an Application to Revise a Notice of Intention to Commence Small Mining Operations or Exploration must be submitted. Changes may include Operator address or operational changes. When operational changes are proposed the change may not be implemented until the Division determines that the revised Notice is complete and if necessary a revised reclamation surety approved. The Notice must include all information, concerning the revision, that would have been required if it had been included in the original Notice.

Instructions:

- Changes to the Notice are made by providing a completely new Notice or by adding, replacing, or removing pages to the current Notice. Detailed instructions for adding or replacing pages and maps must be included (please identify on the attached form MR-REV-SMO).

- The revised Notice should be accompanied by a cover letter: referring to the permit number, operator name and mine; content description; and referencing any Division action that initiated the change (i.e. Notice of Violation, previous review, inspection).

- The submitted revision must be complete and should not rely on additional materials that will be submitted at a later date.

- Form MR-REV-SMO, or equivalent, must be submitted with the application for change. After the Division approves the change, a copy will be stamped "approved" and returned to you.

Form MR-REV-SMO (DOGM – Revise/Amend Change Form)
(Revised November 21, 2006)

Application to Revise a Notice of Intention to Commence Small Mining Operations or Exploration

Operator:

Mine Name: **File Number: E or S/ /**

Provide a detailed listing of all changes to the Notice that will be required as a result of this change. Individually list all maps and drawings that are to be added, replaced, or removed from the Notice. Include page, section and drawing numbers as part of the description.

DETAILED SCHEDULE OF CHANGES TO THE NOTICE

			Description of map, text, or materials to be changed
☐ ADD	☐ REPLACE	☐ REMOVE	
☐ ADD	☐ REPLACE	☐ REMOVE	
☐ ADD	☐ REPLACE	☐ REMOVE	
☐ ADD	☐ REPLACE	☐ REMOVE	
☐ ADD	☐ REPLACE	☐ REMOVE	
☐ ADD	☐ REPLACE	☐ REMOVE	
☐ ADD	☐ REPLACE	☐ REMOVE	
☐ ADD	☐ REPLACE	☐ REMOVE	
☐ ADD	☐ REPLACE	☐ REMOVE	

I hereby certify that I am a responsible official of the applicant and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments and obligations, herein.

Print Name

Sign Name, Position

Date

Return to:

State of Utah
Division of Oil, Gas and Mining
Attn: Minerals Regulatory Program
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
Phone: (801) 538-5291 Fax: (801) 359-3940

P:\GROUPS\MINERALS\WP\FORMS\Notices\Final\revision_SMO_EXP.doc

FOR DOGM USE ONLY:
File #:E or S/ /
Approved:
Bond Adjustment: from ($)
to $

S/015/078

"BLACK KNIGHT MINE"

NOTICE
FOR
5 ACRE MINE OPERATION

RECEIVED
APR 26 1999
DIV. OF OIL, GAS & MINING

Prepared by: *Blackhawk Engineering, Inc.*
Dan W. Guy, P.E.
Rt. 1 Box 146 H-5
Helper, Utah 84526
(435) 637-2422

STATE REGISTERED
#154168
DAN W GUY
4/22/99
PROFESSIONAL ENGINEER

STATE OF UTAH

Notice of Intention to Commence Small Mining Operations

Utah State Lease Number(s):

ML 47718

Have the above surface and mineral owners been notified in writing?:

Yes

Does the operator have legal right to enter and conduct mining operations on the land covered by this notice?:

Yes

II. Project Location & Map (Rule R647-3-105)

Location of the Proposed Activity:

Township	*17*	*South*
Range	*14*	*East*
Section	*16*	
Description	*5 acre parcel*	

N 4,354,051
E 556,748

(See Figure 1 for Location Map)

Name of Quad Map for Location:

Woodside Quadrangle

(See Figure 2)

BLACK KNIGHT MINESITE

USGS MAP

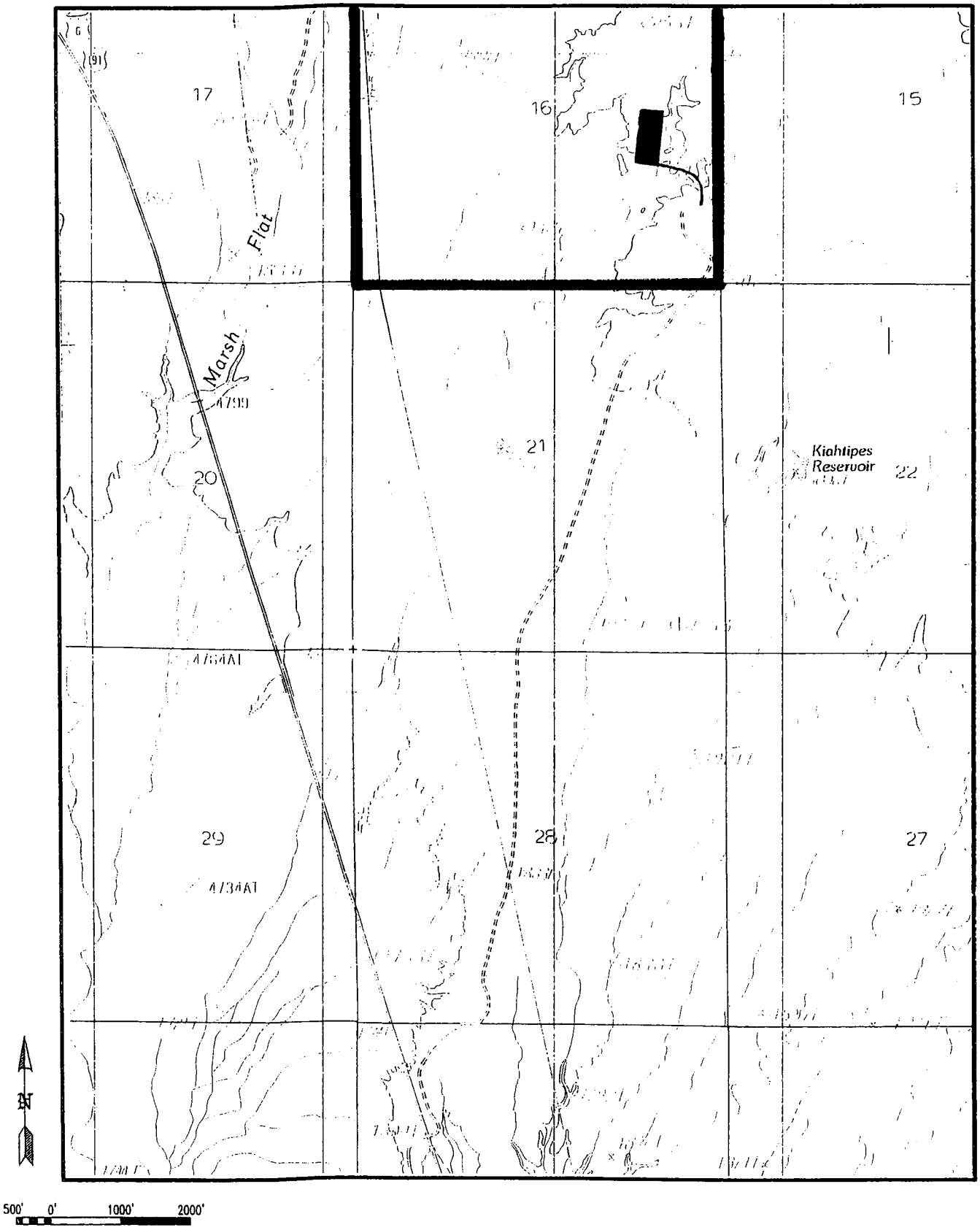


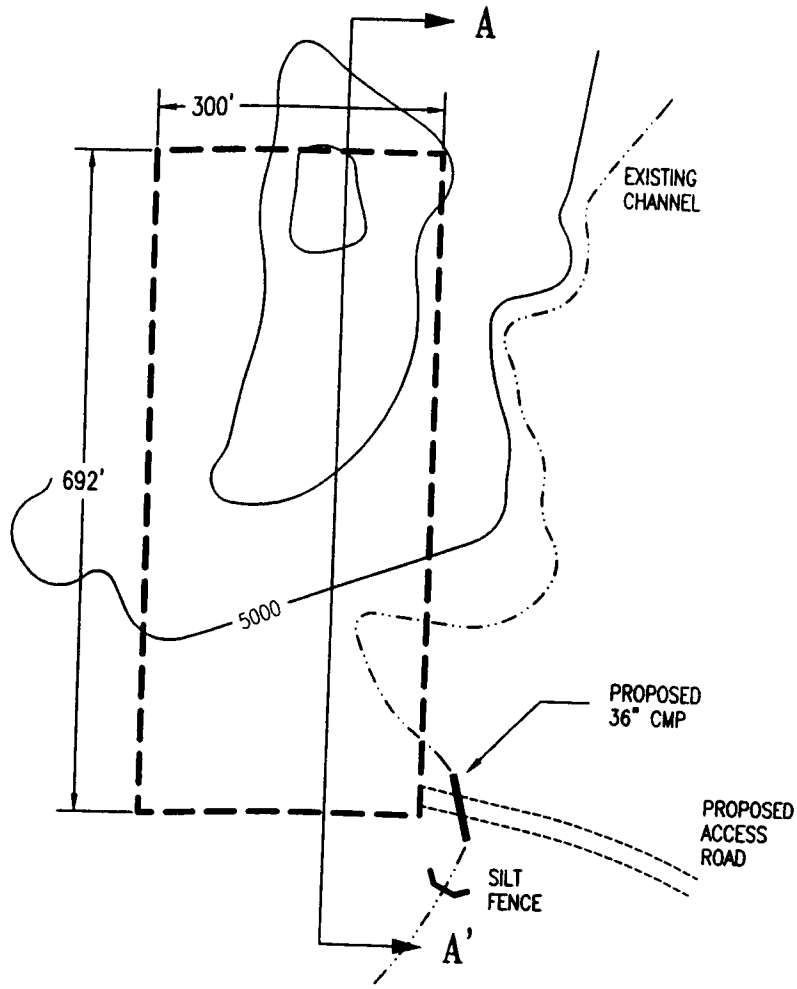
FIGURE 2

BLACK KNIGHT MINESITE

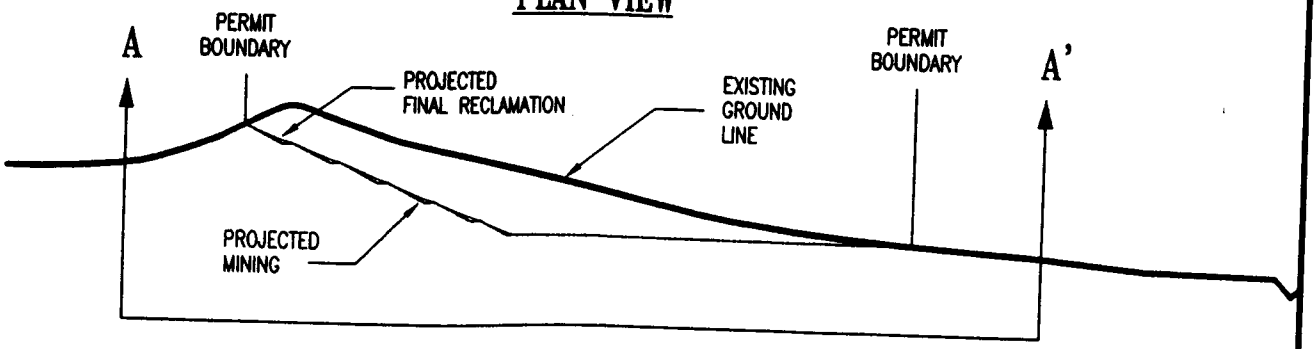
MINE MAP

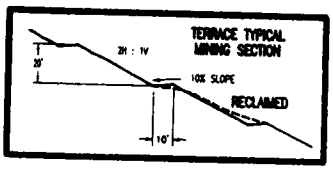
T.17S., R.14E.
SECTION 16

LOCATED IN THE SE 1/4



PLAN VIEW





SECTION VIEW

50' 0' 100' 200'

FIGURE 3

GOLDTERRA

RECEIVED

JUN 25 2001

DIVISION OF
OIL, GAS AND MINING

Mr. William Stokes
School and Institutional Trust Land Administration
675 East 500 South
Suite 500
Salt Lake City, Utah 84102-2818

Re: Proposed Amendment
Black Knight Mine
S/015/078
Emery County, Utah

Dear Mr. Stokes:

GoldTerra, Inc. is herein submitting a proposed amendment to the above referenced Small Mining Operation for the Black Knight Mine. The purpose of the amendment is to allow for additional exploration (drilling) to better define the potential ore reserve and quality.

Per our conversation on 06/14/01, this notice is being provided in letter form. A map of the site and proposed drilling locations is also included.

The following is a description of the proposed action:

1) A total of 10 holes will be drilled on the site. All drilling and access will be confined to the existing, approved 5-acre mine plan area;

2) The drilling will be done with a truck - mounted drill of a size capable of extracting a 2" diameter core of the Mancos Shale to a depth of 100' - 200';

3) The core drilling will require some fluids for bit lubrication and tailings return; however, no mud pits are planned to be constructed. The rig is equipped with a small metal pit which is mounted over the stem of the hole. Required fluids are added directly to the metal pit and recirculated for the drilling. Only water or other approved, non-toxic drilling fluids will be used;

4) Access to the mining area will be by existing, permitted roads. Topsoil removal has already been completed at the site. There are no plans to further salvage soils on the 5-acre mine plan area, in accordance with the approved plan, since the proposed mining area is barren Mancos Shale. Access to the proposed drill sites may be constructed by a dozer; however, all disturbance will be confined to the approved mine plan disturbed area;

5) If drill pads are not required in the flatter areas, they will not be constructed. If pads need to be constructed on the steeper areas, they will not exceed 50' x 50' in dimension;

6) All drill holes will be plugged with a minimum 5' surface cement plug, as required;

7) Since the drill holes are to be placed within the area of active mining, regrading of sites will only be done to the extent which accommodates the existing mine plan;

8) All drill sites will be kept clean and operated in an environmentally safe manner. All trash, wood, metal, equipment and other debris will be removed from the sites and properly disposed of in accordance with the approved permit;

9) Drilling is anticipated to begin in early July 2001, with completion by the end of August 2001.

I appreciate your willingness to work with GoldTerra on this project, and I hope this proposal meets with your approval. If you have any questions, or need additional information, please let me know.

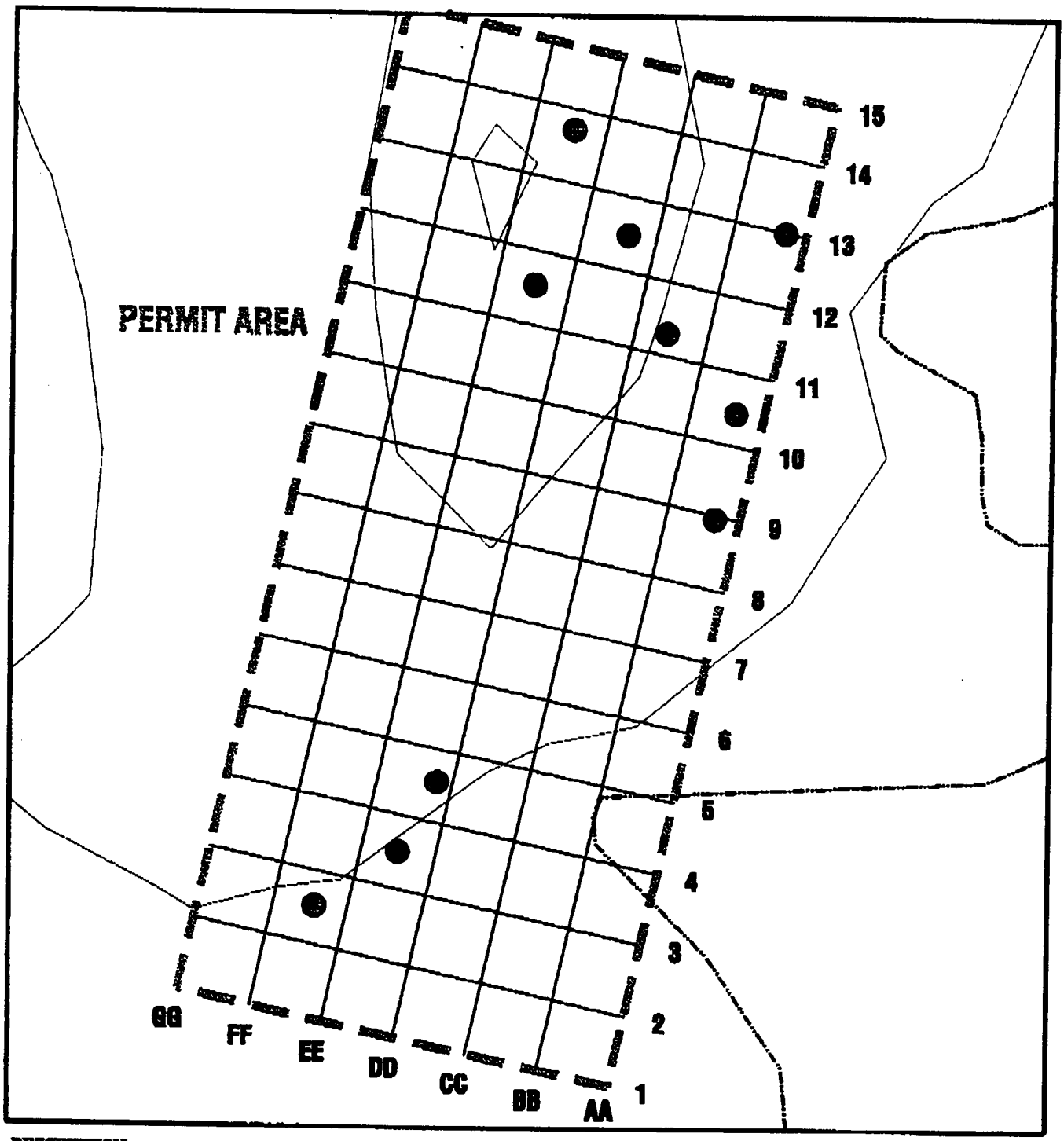
Sincerely,

Daniel C. Sheppard
President

cc: Wayne Hedberg - UDOGM
Dan Guy - Blackhawk Engineering, Inc.
File

GOLDTERRA

BLACK KNIGHT MINE



DESCRIPTION:

TOWNSHIP: 17 SOUTH
RANGE: 14 EAST
SECTION: 16 (5 Acre Parcel)
GRID: 50' x 50'

N

LEGEND:

PROPOSED DRILLING LOCATIONS: ●