S/015/080

State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

675 East 500 South, Suite 500
Salt Lake City, Utah 84102-2818
801-538-5100
801-355-0922 (Fax)
http://www.trustlands.com

Michael O. Leavitt
Governor

David T. Terry
Director

RECEIVED
JUL 14 1999
DIV. OF OIL, GAS & MINING

July 12, 1999

Daniel C. Sheppard
Gold Terra, Incorporated
4088 East Airport Road
Price, Utah 84501

Re: Notice of Intent to Commence Small Mining Activities, Gold Terra Inc, Black Butte Mine, Metalliferous Minerals Lease ML 47708, Section 2, T20S., R14E., Emery County Utah, DOGM File # S/015/080.

Dear Mr. Sheppard:

I would like to thank you for accompanying me on the June 28, 1999, surface inspection of the above proposed small mine site. The information attained from the site inspection is invaluable in helping understand the your proposed plans as well as assisting Gold Terra obtain the proper approvals to commence with their proposed mine plans

I have received a copy of the July 7, 1999, letter sent to you by the Division of Oil, Gas and Mining ("DOGM") concerning deficiencies in your Notice of Intent to Commence Small Mining Activities ("NOI"). As outlined in the July 7, 1999, letter the maximum acreage as described in your original NOI exceeds the maximum area of five (5) acres of disturbance allowed under a small mine plan. As we discussed during the site inspection the access road to the mine site, being 4,193 feet long and 16 feet wide, approximates 1.5 acres. Even though the road accessing the mine site shows evidence of prior mechanized maintenance, improvements or other alterations to the road, such as graveling and widening are considered by DOGM to be surface disturbances that attach to the total number of acres of a mining operation. Your NOI has identified the mine site as encompassing an area of 450 feet square or approximately 4.5 acres. Total surface disturbance as proposed in you original NOI is approximately 6.0 acre.

The Archaeologist for the School and Institutional Trust Lands Administration ("the Trust Lands Administration") has discussed the historical significance of the water impoundment structure found near the proposed mine site, identified as historical site (42Em2533), with the Director of State Historical Preservation. They have concluded that the small clay berm and associated "spillway" are an integral part of this "historic site" and should be preserved from disturbance by human activity. Gold Terra will thus be required to construct an alternate access road, around the water impoundment structure that will not disturb any physical feature or perceived physical feature associated with his important "historical site".

As requested by DOGM Gold Terra must amend the proposed small mine plan so both the access road disturbance and the mine site disturbance does not exceed five (5) acres. As a suggestion you may consider a road that is not 16 feet in width.

After consultation with the staff of the Division of Oil, Gas and Mining the Trust Lands Administration has determined that a reclamation bond in the amount of $2,500.00 per acre of disturbance will be required to insure the cost of reclamation as well as compliance with other lease terms. Total reclamation bond for the five (5) acre project will be $12,500.00.
Bonds may be accepted in any of the following forms:
a) Surety bond with an approved corporate surety registered in the state of Utah.
b) Cash deposit.
c) Certificate of deposit in the name of the School and Institutional Trust Lands Administration and Lessee, with three signatures required, two signatures will be those of the Trust Lands Administration and one of the Lessee's. Two signatures will be required to collect on the certificate of deposit. The certificate of deposit must be issued by an approved state or federally insured banking institution registered in Utah. The certificate must have a maturity date no greater than 12 months, be automatically renewable and be deposited with the Trust Lands Administration.

Final approval to commence with the proposed mine plan will be granted upon satisfaction of the bonding requirement and approval of the Division of Oil, Gas and Mining.

Thank you for you cooperation.

Sincerely,

William M. Stokes
Minerals Resource Specialist

cc: Tong Gallegos, DOGM