5/015/092

State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor

Kevin S. Carter
Director

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

July 3, 2003

RECEIVED
JUL - 7 2003
DIV. OF OIL, GAS & MINING

Kyle Morris
United State Gypsum Company
P.O. Box 570160
Sigurd, UT 84657

RE: ML 48909-Gypsum

Dear Mr. Morris:

Thank you for your notice of intent to commence mining gypsum from trust lands under the above numbered mineral lease. I have submitted your proposal to the statewide clearinghouse for review. This process may take until the end of July, 2003, but I will notify you of any comments as soon as I receive them. Please do not commence operations until the review is complete.

Royalties are an important aspect of the lease and it is important that the Lessee and the Lessor are in agreement as to valuation of the commodity. In its 2001 Minerals Yearbook the USGS reports an average crude gypsum price of $7.31 per metric ton ($6.63 per short ton) by U.S. producers. In your notice of intent you suggest that the value of the gypsum is its mining cost to you of $3.00 to $3.50 per ton. Please provide me with additional information and detail as to the various cost items you are including in this number.

The Trust lands Administration looks forward to the commencement of mining under this lease as soon as all necessary permits are in place. Please contact me you have any questions regarding the lease or the permitting process.

Sincerely,

John T. Blake
Mineral Resources Specialist

CC: Paul Baker