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NOV 3 0 2006
DIV. OF OIL, GAS & MINING

FORM MR-RC (SMO)
Revised August 9, 2006
RECLAMATION CONTRACT

File Number MYSTERY

Other Agency File Number ML 45848

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

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SMALL MINE RECLAMATION CONTRACT

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between ***James W. Hill*** the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. ***S/019/034*** which the Operator has filed with the Division and has been determined by the Division to be complete (Complete NOI) as required by the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (2005, as amended) (hereinafter referred to as "Act") and the regulations adopted pursuant to the Act; and

WHEREAS, Operator is obligated to reclaim the lands affected by the mining operations in accordance with the Act and the regulations, and is obligated to provide a surety in a form and amount approved by the Division or the Board of Oil, Gas and Mining (Board) to assure reclamation of the lands affected by the mining operations.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to promptly reclaim in accordance with the requirements of the Act and applicable regulations, as they may be amended, all of the lands affected by the mining operations conducted or to be conducted pursuant to a Complete Notice of Intention.

2. The Lands Affected by the mining operations and subject to the requirements of the Act and this Contract include:

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A. All surface and subsurface areas affected or to be affected by the mining operations including but not limited to private on-site ways, roads, railroads; land excavations; drill sites and

workings; refuse banks or spoil piles; evaporation or settling ponds; stockpiles; leaching dumps; placer areas; tailings ponds or dumps; work, parking, storage, and waste discharge areas, structures, and facilities; and

B. All mining disturbances regardless of discrepancies in the map and legal description, unless explicitly and clearly identified as EXCLUDED on maps, and legal descriptions included in the Complete NOI; provided lands may be excluded only if: (1) they were disturbed by mining operations that ceased prior to July 1, 1977; (2) the lands would be included but have been reclaimed in accordance with a complete notice or reclamation plan; or (3) the lands were disturbed by a prior operation for which there is no surety, no legally responsible entity or person, and which lands are not necessarily or incidentally intended to be affected by the mining operations as described in the Complete NOI.

3. The Operator shall be responsible for reclamation of all such Lands Affected regardless of errors or discrepancies in the maps or legal descriptions provided with the NOI which are intended to assist in determining the location of the mining operations, to describe the areas of disturbance, and to assist estimating the amount of surety required.

4. The Operator prior to commencement of any mining operations and as a precondition to the rights under the Notice of Intention shall provide a surety in a form permitted by the Act and in an amount sufficient to assure that reclamation of the Lands Affected will be completed as required by the Act. The Surety shall remain in full force and effect according to its terms unless modified by the Division in writing. A copy of the agreement providing for the Surety for the reclamation obligations herein is included as **ATTACHMENT A** to this Contract.

5. If the Surety expressly provides for cancellation or termination for non-renewal:

   A. The Operator shall within 60 days following the Division's receipt of notice that the Surety will be terminated or cancelled, provide a replacement Surety sufficient in a form and amount, as required by the Act, to replace the cancelled surety; or

   B. If the Operator fails to provide an acceptable replacement Surety within 60 days of notice of cancellation or termination, the Division may order the Operator to cease further mining activities, and without further notice proceed to draw upon letters of credit, to withdraw any amounts in certificates of deposit or cash and/or any other forms of surety, and to otherwise take such action as may be necessary to secure the rights of the Division to perfect its claim on the existing surety

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for the purpose of fully satisfying all of the reclamation obligations incurred by the Operator prior to the date of termination, and the Division may thereafter require the Operator to begin immediate reclamation of the Lands Affected by the mining operations, and may, if necessary, proceed to take such further actions as may be required for the Division to forfeit the surety for the purpose of reclaiming the Lands Affected.

6. The Operator's liability under this Contract shall continue in full force and effect until the Division finds that the Operator has reclaimed the Lands Affected by mining operations in accordance with the Act and regulations, as amended. If the mining operations are modified or for any other reason vary from those described in the Complete Notice of Intention, the Operator shall immediately advise the Division, and the Notice of Intention shall be revised and the Surety amount shall be adjusted as necessary.

7. If reclamation of a substantial phase or segment of the Lands Affected by the mining operations is completed to the satisfaction of the Division, and the Division finds that such substantial phases or segments are severable from the remainder of the mining area, Operator may request the Division to find that Operator has reclaimed such area. If the Division makes such finding, Operator may make request to the Division for a reduction in the aggregate face amount of the Surety, and the Division may reduce the surety to an amount necessary to complete reclamation of the remaining mining operations as anticipated by the Complete Notice of Intention in accordance with the requirements of the Act and regulations, as amended.

8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the applicable rules.

9. Operator agrees to pay all legally determined public liability and property damage claims resulting from mining operations, to pay all permit fees, to maintain suitable records, to file all required reports, to permit reasonable inspections, and to fulfill all sundry reporting requirements applicable to the mine as required by the Act and implementing rules.

10. 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.

11. If Operator shall default in the performance of its obligations hereunder, Operator shall be liable for all damages resulting from the breach hereof including all costs, expenses, and reasonable attorney's fees incurred by the Division and/or the Board in the enforcement of this Contract.

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12. Any breach of a material provision of this Contract by Operator may, at the discretion of the Division, in addition to other remedies available to it, result in an order by the Division requiring the Operator to cease mining operations, and may thereafter result in an Order, subject to an opportunity for notice and hearing before the Board, withdrawing and revoking the Notice of Intention, and requiring immediate reclamation by the Operator of the Lands Affected or forfeiture of the Surety.

13. In the event of forfeiture of the Surety, Operator shall be liable for any additional costs in excess of the surety amount that is required to comply with this Contract. Upon completion of the reclamation of all of the Lands Affected, any excess monies resulting from forfeiture of the Surety shall be returned to the rightful claimant.

14. The Operator shall notify the Division immediately of any changes in the Operator's registered agent, the Operator's address, form of business, name of business, significant changes in ownership, and other pertinent changes in the information required as part of the Notice of Intention. Notwithstanding this requirement, any changes to the Notice of Intention, and any errors, omissions, or failures to fully or accurately complete or update the information on the Notice of Intention, or the attached maps, shall not affect the validity of this Contract and the rights of the Division to enforce its terms.

15. If requested by the Division, the Operator shall execute addendums to this Contract to add or substitute parties, or to reflect changes in the Operator, Surety, and otherwise modify the Contract to reflect changes in the mining operations as requested by the Division. All modifications must be in writing and signed by the parties, and no verbal agreements, or modifications in any of the terms or conditions shall be enforceable.

16. This Contract shall be governed and construed in accordance with the laws of the State of Utah.

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The signatory below represents that the Operator, if not a natural person, is a properly organized entity in good standing under the laws of Utah and the United States, is registered as an entity authorized to do business in the State of Utah, and that he/she is authorized to execute this Contract on behalf of the entity as Operator.

OPERATOR:

James Wesley Hill
Operator Name

By Individual James Wesley Hill
Authorized Officer (Typed or Printed)

Individual
Authorized Officer - Position

James W Hill
Officer's Signature Date

STATE OF Utah)
) ss:
COUNTY OF Grand)

On the 28 day of November, 20 06, James Wesley Hill personally appeared before me, who being by me duly sworn did say that he/she is an owner (owner, officer, director, partner, agent or other (specify)) of the Operator James Wesley Hill and duly acknowledged that said instrument was signed on behalf of said Operator by authority of its bylaws, a resolution of its board of directors or as may otherwise be required to execute the same with full authority and to be bound hereby.

Tisha Ayers
Notary Public
Residing at Moab, ut

12-30-2007
My Commission Expires:

NOTARY PUBLIC
TISHA AYERS
300 S Main St Box 249
Moab, Utah 84532
Commission Expires
December 30, 2007
STATE OF UTAH

APPROVED

DIVISION OF OIL, GAS AND MINING:

By John R. Baza
John R. Baza, Director

12/8/2006
Date

STATE OF Utah)
) ss:
COUNTY OF Salt Lake)

On the 8th day of December, 2006, John R. Baza personally appeared before me, who being duly sworn did say that he, the said John R. Baza is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he duly acknowledged to me that he executed the foregoing document by authority of law on behalf of the State of Utah.

DIANE HOLLAND
NOTARY PUBLIC - STATE OF UTAH
1594 W North Temple Suite 1210
Salt Lake City UT 84116
My Comm. Exp. 05/08/2010

Diane Holland
Notary Public
Residing at: Salt Lake City, Utah

05-08-2010
My Commission Expires:

FACT SHEET

Commodity: Gemstones

Acres: TBD

County: Grand

Operator Name: James W. Hill
Operator Address: 741 Bittle Lane, Moab, Utah 84532
Operator Telephone: (435) 259-7757

Reclamation surety amount has yet to be determined, based on permit of 5-acres, surety amount is $18,600.00. Operator must modify permit identifying disturbed acres if less than 5-acres.

Surety: Cash
Surety Amount: $2000.00
Bank Name: Zions Bank
Account Number: Attachment A, to be issued
Contact: Beth Ericksen, Division of Oil Gas and Mining 801 538 5318

Tax ID: 521804193

Escalation Year: 2009

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NOV 3 0 2006
Div. of Oil, Gas & Mining

STATE OF UTAH

TO: EDWARD T. ALTER, UTAH STATE TREASURER
DIVISION OF FINANCE, 2110 STATE OFFICE BLDG, SALT LAKE CITY, UTAH 84114
STATE VENDORS

WARRANT NUMBER
F 6626369

PAYABLE ON
UTAH STATE TREASURER
SALT LAKE CITY, UTAH 84114
31-289
1240

PAY TWO THOUSAND DOLLARS AND 00 CENTS

VOID ONE YEAR FROM DATE

MONTH	DAY	YEAR	PAY THIS AMOUNT
06	29	06	$ ******2,000.00

000RFD
TO THE ORDER OF

DIVISION OF OIL, GAS, & MINING
1594 WEST NORTH TEMPLE
SUITE 1210
SALT LAKE CITY UT 84114--5801

Richard Bachtler
DIVISION OF FINANCE

COPY

⑈6626369⑈ ⑆124002890⑆ 153100367736⑈

DETACH BEFORE CASHING
STATE OF UTAH, Division of Finance
2110 State Office Building, Salt Lake City UT 84114

DY VOUCHER #	INVOICE #	DESCRIPTION	AMOUNT
10 6TLA0101915	3/3/06 MNA	ML 45848 - TRANSFER BOND	2,000.00

James Wesley Hill

Permit # S1019 1034

Mineral lease #: ML 45848

COPY

RECEIVED
JUL 18 2006
Div. of Oil, Gas & Mining

Cash RECEIPT

Date DEC 1 '06 **MINERALS BOND** $2K

	Amount $
Permit Number	S1019 1034
Operator	JAMES WESLEY HILL
Received by	BTH
Signature	**I confirm the dollar amount of this check is correct** BB

000RFD 03 DATE: 06-29-06 WARRANT NO: F 6626369 TOTAL $2,000.00

CTRL: 0001260