This page is a reference page used to track documents internally for the Division of Oil, Gas and Mining

Mine Permit Number 5/019/0034 Mine Name Mystry Mine
Operator _____ Date Sent 9-1-2015
TO _____ FROM _____

__CONFIDENTIAL X BOND CLOSURE __LARGE MAPS __EXPANDABLE
__MULTIPUL DOCUMENT TRACKING SHEET __NEW APPROVED NOI
__AMENDMENT _OTHER _____

Description YEAR-Record Number

__NOI __Incoming X Outgoing __Internal __Superceded
Notice of File Closure and Release of Reclamation Surety
2015- 09012015

__NOI __Incoming __Outgoing X Internal __Superceded
Bond File 2015- 09012015

CONFIDENTIAL

__NOI __Incoming __Outgoing X Internal __Superceded
Bond File 2015- 09012015

__NOI __Incoming __Outgoing __Internal __Superceded

__TEXT/ 81/2 X 11 MAP PAGES __11 X 17 MAPS __LARGE MAP

COMMENTS: _____

CC: _____

S0140034

110070134

Account Number:

Account Name: UST - OGM - James W. Hill

Tran #: 20776203

Admin Name: Raylyn Daniel - UST 801-844-8523

Date: 08/17/2015

This check constitutes payment of the following:

Retention Disbursement
final release of acct #

Paid For:

Amount: **$2,092.75**

110070134

Payee:

James W. Hill

I

ARLAND CLARKE M17873 50040665

THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD TO LIGHT TO VIEW

OFFICIAL CHECK

110070134

Zions First National Bank
Salt Lake City, Utah
801-844-7089

UST - OGM - James W. Hill

Trust Account

8/17/2015

$2,092.75*

Two Thousand Ninety Two Dollars & 75/100

Pay to the Order Of:
James W. Hill

I

RECEIVED
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

---ooOoo---

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:

APPROVED

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

APPROVED

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.

☑ APPROVED

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.

☑ APPROVED

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, 2006, 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

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

STATE OF UTAH

OFFICE OF STATE TREASURER
E315 STATE CAPITOL COMPLEX
P. O. BOX 142315
SALT LAKE CITY, UTAH 84114–2315
TEL: (801) 538-1042
FAX: (801) 538-1465
TDD: (801) 538-1042

EDWARD T. ALTER, CPA
STATE TREASURER

ROBERT C. KIRK
CHIEF DEPUTY STATE TREASURER

CHRISTINE M. BRANDT
STATE INVESTMENT OFFICER

December 15, 2006

Ms. Beth Ericksen
Division of Oil, Gas & Mining
1594 W North Temple, Suite 1210
PO Box 145801
Salt Lake City, UT 84114

Dear Ms. Ericksen:

I hereby certify that as of December 6, 2006, James W. Hill has deposited with the Utah State Treasurer cash or securities valued at $2,000.00 and described as follows:

Interest bearing escrow account held at Zions First National Bank

The above described securities have been deposited and assigned to the Utah State Treasurer as a Reclamation Surety as required by Section 40-8-14 Utah Code Annotated, and will be held by the Utah State Treasurer until release is requested by the Division of Oil, Gas & Mining.

Sincerely,

Coleen Hackwell

Coleen Hackwell
Financial Analyst

Attachment A
S/019/034
Mystery - ML 45848
$2,000.00

☑ APPROVED

STATE OF UTAH

TO: EDWARD T. ALTER, [illegible]H 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 Beckstead
DIVISION OF FINANCE

COPY

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

GY	VOUCHER #	INVOICE #	DESCRIPTION	AMOUNT
50	6TLA0101915	3/3/06 MNA	ML 45848 - TRANSFER BOND	2,000.00

James Wesley Hill

Permit # S/019/034

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	S/019/034
Operator	JAMES WESLEY HILL
Received by	BTH
Signature	**I confirm the dollar amount of this check is correct** BB

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

CTRL: 0001260

S0190034

State of Utah
DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Division of Oil, Gas and Mining
JOHN R. BAZA
Division Director

June 9, 2015

James W. Hill
741 Bittle Lane
Moab, Utah 84532

Subject: Request for Required Information, James, W. Hill, Mystery Mine, S/019/00034, Grand County, Utah

Dear Mr. Hill:

The Division of Oil, Gas and Mining is in the process of retiring this small mining permit. School and Institutional Trust Lands Administration (SITLA) records indicate that you no longer have a contract to operate on SITLA land at this location. An inspection was done at the site on May 20, 2015 and it was determined that no further reclamation was required. The SITLA concurs with the Division's finding that the permit can be closed.

Zions Bank, through the Utah State Treasurer, currently holds a cash bond in the amount of $2,000.00, plus interest, for this permit, but the bank will not release the money without a W-9 form so they can report to the IRS the interest they have paid.

The Division requests that you complete a W-9 form and return it to us. We will forward a copy to the Treasurer and Zions Bank so the the bond can be released and returned to you.

A copy of the W-9 form is enclosed. If you prefer to use a fillable PDF form, it can be downloaded here: http://www.irs.gov/pub/irs-pdf/fw9.pdf. In reply, please refer to file number S/019/0034. Please contact Mike Bradley at 801-538-5334 or me at 801-538-5261 if you have questions or concerns regarding this letter. Thank you for your cooperation.

Sincerely,

Paul B. Baker
Minerals Program Manager

PBB:mpb:pb
Enclosure: IRS Form W-9
P:\GROUPS\MINERALS\WP\M019-Grand\S0190034-Mystery\final\W9-6661-06092015.doc

1594 West North Temple, Suite 1210, Salt Lake City, UT 84116
PO Box 145801, Salt Lake City, UT 84114-5801
telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7458 • *www.ogm.utah.gov*

UTAH DNR OIL, GAS & MINING

From: Paul Baker
To: Berry, Penny; Munson, Tom
Date: 4/14/2011 3:55 PM
Subject: Re: S0190034 Mystery Mine

We may need to increase the bond, but we should do it commensurate with the amount of disturbance. I was never able to find this site and don't know how much disturbance there is. The pictures in the file (2000--it was probably Tony) show an old pickup, an old trailer, and a few pallets. Daron and I used a GPS and the maps in the NOI and couldn't find any trace of disturbance.

Paul Baker
Minerals Program Manager
Utah Division of Oil, Gas and Mining
801-538-5261
Fax 801-359-3940

>>> Penny Berry 4/14/2011 2:59 PM >>>
Hi Tom,

We have a $2,000 cash bond. This site was due for escalation in the year 2009. There is an escalation letter in the draft file (it never went out). You might want to take a look at it. Thanks.

Penny Berry - Re: S0190034 Mystery Mine

From: Tom Munson
To: Berry, Penny
Date: 4/14/2011 3:52 PM
Subject: Re: S0190034 Mystery Mine

This site has no disturbance and the guy collects very little if any thing off the surface. That is why I have never been concerned.

Tom Munson
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84105
801-538-5321
tommunson@utah.gov
>>> Penny Berry 4/14/2011 2:59 PM >>>
Hi Tom,

We have a $2,000 cash bond. This site was due for escalation in the year 2009. There is an escalation letter in the draft file (it never went out). You might want to take a look at it. Thanks.

Penny Berry - S0190034 Mystery Mine

From: Penny Berry
To: Tom Munson
Date: 4/14/2011 2:59 PM
Subject: S0190034 Mystery Mine
CC: Paul Baker

Hi Tom,

We have a $2,000 cash bond. This site was due for escalation in the year 2009. There is an escalation letter in the draft file (it never went out). You might want to take a look at it. Thanks.

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

December 15, 2006

James Hill
741 Bittle Lane
Moab, Utah 84532

Subject: Reclamation Surety and Reclamation Contract, James W. Hill, Mystery Mine, S0190034, Grand County, Utah

Dear Mr. Hill:

On December 8, 2006, the Director of the Division of Oil, Gas and Mining signed the reclamation contract for the Mystery Mine Notice of Intention to Commence Small Mining Operations (NOI), file number S0190034. 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 may be a deficiency in your surety/bond amount that needs to be rectified.

The NOI says the disturbed area is two acres. The average reclamation surety cost estimate for small mines is $5400 for the first acre and $3300 for subsequent acres for a total of $8700 for a two-acre site. The Division recognizes that your site may require more or less reclamation work compared to an "average" site, so it may be possible to reduce, or necessary to increase, the amount of surety required. At the next opportunity, a Division representative will visit the site and determine, in cooperation with the School and Institutional Trust Lands Administration, whether a change in the surety is needed.

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

Sincerely,

Daron R. Haddock

Daron R. Haddock
Permit Supervisor
Minerals Regulatory Program

DRH:PBB:pb
Enclosure: Copy of RC/surety
cc: Will Stokes, SITLA
P:\GROUPS\MINERALS\WP\M019-Grand\S0190034-Mystery\final\app-def-12142006.doc

CC: PAUL

Mystery Mines
James Wesley Hill
741 East Bittle Lane
Moab, Utah 84532

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

Attention Beth Erickson,

This letter is concerning the Small Mine Contract between the State of Utah and Mystery Mines.

My concern is the disturbances cause by servayance and mining done by government and other mining excavation prior to my lease. In a previous letter Mystery Mines claimed the road that best suited our purpose so that we could say this is not a designated road. Our activities have been gathering surface rock by hand therefore leaving very little disturbance. We reserve the right to use equipment to dig or go underground.

Sorry for the delay I hope that this is everything you will need to sustain my right to operate.

Sincerely,
James Wesley Hill
Mystery Mines
James Hill

Mystery Mines
James Wesley Hill
741 East Little Lane
Moab, Utah 84532

RECEIVED
NOV 30 2006
DIV OF OIL, GAS & MINING

Attention Beth Erickson,

This letter is concerning the Small Mine Contract between the State of Utah and Mystery Mines.

My concern is the disturbances cause by servayance and mining done by government and other mining excavation prior to my lease. In a previous letter Mystery Mines claimed the road that best suited our purpose so that we could say this is not a designated road. Our activities have been gathering surface rock by hand therefore leaving very little disturbance. We reserve the right to use equipment to dig or go underground.

Sorry for the delay I hope that this is everything you will need to sustain my right to operate.

Sincerely,
James Wesley Hill
Mystery Mines

Beth

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

August 3, 2006

James Wesley Hill
741 Bittle Lane
Moab, Utah 84532

Subject: DOGM Receipt of Reclamation Surety, $2000 and Reclamation Contract Requirements, James W. Hill, Mystery-ML45848 Mine, S/019/034, Grand County, Utah

Dear Mr. Hill:

Due to a Memorandum Agreement between SITLA and DOGM, the administration of reclamation surety bonds has been transferred to the Division. On July 18, 2006, the Division received a check from SITLA in the amount of $2000.00 that served as SITLA reclamation surety for the Mystery-ML 45848 site. **In order to apply this surety to your small mining operation (SMO), it is necessary to complete the reclamation surety contract (form MR-RC) immediately.**

Please contact Minerals Surety Coordinator, Beth Ericksen at 801-538-5318, so the contract can be emailed to you. This contract shall be signed by an authorized person of the company, notarized and returned in its original form to the Division, attention Minerals Regulatory Program.

On June 8, 2006, a Division letter was mailed to all small mine operators requiring a reclamation surety bond for small mines within the state of Utah. This letter has a deadline of December 8, 2006 to meet the surety bond requirements. Additional reclamation surety bond requirements may be necessary. Please contact the reclamation specialist for Grand County, Paul Baker, 801-538-5261, to obtain assistance in the determination of potential additional surety and permitting requirements.

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

Jon M. Huntsman, Jr.
Governor

Kevin S. Carter
Director

File S/019/034
CC: Bond file
Beth
Daron ✓

needs Bond Folder

February 2, 2006

CERTIFIED MAIL 7160 3901 9842 9870 7869

operator
James W. Hill
741 Bittle Lane
Moab, Utah 84532

mine name
mystery - ML 45848

Bond Amount ~~0~~

SITLA
operator
Hill James W

Dear Lessee:

Listed below is a surety that is presently held by the School and Institutional Trust Lands Administration ("SITLA") for reclamation of mining related disturbance that is associated with mineral development on trust lands.

Type of Surety: Cash
Amount: $2000
Account No.: -
Issued By: -
Date Issued: -
Mineral Lease No.: ML 45848
DOGM No.: S/019/034

The Division of Oil, Gas and Mining ("DOGM") is the state agency responsible for implementing and enforcing the State of Utah's regulation of mineral mining and reclamation activities (Utah Code Sections 40-8-1 et seq.) and the State of Utah's Surface Coal Mining and Reclamation Program (Utah Code Sections 40-10-1 et seq.). SITLA and DOGM have entered into a Memorandum of Agreement Concerning Cooperative Administration of Mining Operations on School and Institutional Trust Lands, dated January 14, 2005 ("MOU"). The MOU transfers the responsibility for administrating the reclamation of disturbances on SITLA's mineral leases to DOGM. Therefore, surety for reclamation shall be provided by the operator of the leased mineral lands to DOGM prior to commencing mining operations, and DOGM will be identified as the owner or holder of the surety. The surety for reclamation shall be held and administered by DOGM, and shall be of a type and in a form as determined to be acceptable by the rules established by the Board of Oil, Gas and Mining. The surety shall be payable to DOGM for use as necessary to satisfy the reclamation obligations of the mineral lessee or operator.

In accordance with the MOU and in compliance with the statutory authority of DOGM, SITLA will transfer the above referenced surety to DOGM to be administered by DOGM under their rules. This letter serves as notification of the requirement under your lease to be bonded for reclamation to replace or transfer your surety with DOGM by April 1, 2006. Upon written request and written extension by SITLA additional time for completing this process may be provided. DOGM and SITLA will coordinate their efforts to ease this transition. Questions concerning this process may be directed to Will Stokes at SITLA phone number (801) 538-5153. At DOGM please contact Beth Ericksen at (801) 538-5318. Additional information may be found at the DOGM's website at http://ogm.utah.gov/minerals.

Please be aware that adjustment of the bond amount could also be necessary if it is determined that the current amount is insufficient to cover complete reclamation. You will also need to complete a reclamation contract (form MR-RC) with DOGM to conclude the process. Also, as provided for under the rules governing the management and use of school and institutional trust lands (R850-21-800), and as provide for under Article XII of the mineral lease agreement, the lessee or operator may be required to post a separate performance bond with SITLA to assure compliance with all other remaining terms and conditions of the lease not covered by the bond to be filed with DOGM.

We anticipate that bonding for reclamation will be streamlined and hope you view this change as a positive effort to simplify the process. Thank you for your cooperation.

Sincerely

Tom Faddies
Assistant Director/Minerals