M/023/007
F

NORTH LILY MINING COMPANY

Suite 210
1800 Glenarm Place
Denver, CO 80202
Tel: 303.294.0427
Fax: 303.293.2235

RECEIVED
APR 09 2002
DIVISION OF
OIL, GAS AND MINING

2 APRIL 2002

MR LOWELL P BRAXTON, DIRECTOR
MS MARY ANN WRIGHT, ASSOCIATE DIRECTOR
UTAH DIVISION OF OIL, GAS AND MINING
1594 WEST NORTH TEMPLE
SALT LAKE CITY, UTAH
FAX 801-359-3940

DEAR MR BRAXTON AND MS WRIGHT:

WELLS FARGO BANK (FORMERLY FIRST SECURITY BANK) IN PAYSON, UTAH (THE BANK) IS CURRENTLY HOLDING A CERTIFICATE OF DEPOSIT #[redacted] (THE CD) FOR THE BENEFIT OF THE STATE OF UTAH, DIVISION OF OIL, GAS AND MINING (DOGM) AS A FORM OF RECLAMATION SURETY BOND FOR NORTH LILY MINING COMPANY'S TINTIC PROJECT M/023/007 (NEAR SILVER CITY) IN JUAB COUNTY, UTAH (THE PROJECT).

BY LETTER DATED JUNE 12, 2001, DOGM AUTHORIZED THE BANK TO MAKE A PARTIAL RELEASE FROM THE CD TO NORTH LILY FOR COMPLETION OF PROJECT RECLAMATION WORK, AND INSTRUCTED THAT THE BALANCE OF FUNDS RETAINED IN THE CD SHOULD BE AT LEAST $32,500.

FOLLOWING UP ON OUR LETTER TO YOU OF NOVEMBER 6, 2001, THIS IS TO FORMALLY ADVISE DOGM (AND THE BANK) THAT NORTH LILY MINING ENTERED INTO AN ARRANGEMENT (AN EXECUTORY CONTRACT) WITH JBR ENVIRONMENTAL CONSULTANTS INC, PROVIDING FOR JBR TO COMPLETE THE REMAINING ANTICIPATED RECLAMATION, REVEGITATION, SHUTDOWN AND MONITORING WORK (INCLUDING UNDER AMENDED GROUND WATER DISCHARGE PERMIT UGW230001) AT THE PROJECT, AND TO RECEIVE THE PROCEEDS OF THE CD AS AND WHEN APPROVED FOR RELEASE BY DOGM BASED ON THE PROPORTIONATE WORK DONE AND REMAINING TO BE ACCOMPLISHED.

THIS THEREFORE IS TO NOTIFY, AUTHORIZE, AND REQUEST DOGM, THAT WHEN DOGM AUTHORIZES THE BANK TO RELEASE FUNDS FROM THE CD DUE TO SATISFACTORY COMPLETION OF PROJECT WORK (INCLUDING THE YEAR END RECONTOURING & REVEGITATION), THAT THE BANK BE INSTRUCTED TO DIRECT SUCH RELEASE OF FUNDS TO THE ORDER OF JBR ENVIRONMENTAL CONSULTANTS INC, PER MORE SPECIFIC INSTRUCTIONS

FROM ROBERT J. BAYER, VICE PRESIDENT, 8160 SOUTH HIGHLAND DRIVE, SANDY, UTAH 84093 (PHONE 801-943-4144 AND FAX 801-942-1852).

AS YOU KNOW, NORTH LILY IS CURRENTLY INVOLVED IN CHAPTER 11 REORGANIZATION IN U.S BANKRUPTCY COURT CASE NO 01-23068-EEB IN DENVER, COLORADO. THIS, THEREFORE, IS ALSO TO PROVIDE YOU FOR DOGM'S FILES WITH THE ENCLOSED COPY OF THE BANKRUPTCY COURT'S "ORDER" OF JANUARY 25, 2002, DULY AUTHORIZING NORTH LILY TO ASSUME ITS EXECUTORY CONTRACT WITH JBR ENVIRONMENTAL CONSULTANTS PURSUANT TO THE ENCLOSED "NOTICE OF MOTION FOR ORDER", WHICH INCLUDES THE ENCLOSED "ASSIGNMENT" OF THE PROCEEDS OF THE CD.

IT IS UNDERSTOOD THAT OUR ARRANGEMENT WITH JBR, AND DOGM'S COOPERATION WITH THIS AUTHORIZATION AND REQUEST, DOES NOT ALTER NORTH LILY'S LEGAL RESPONSIBILITY TO THE STATE FOR THE PROJECT, AND DOES NOT CONTEMPLATE PERFORMANCE BY JBR OF PROJECT ACTIVITIES NOT CURRENTLY CONTEMPLATED OR DESCRIBED IN THE RECLAMATION BOND ESTIMATES OR IN THE GROUND WATER DISCHARGE PERMIT MONITORING REQUIREMENTS. WE THEREFORE ASK AND UNDERSTAND THAT DOGM WILL CONTINUE TO KEEP US FULLY INFORMED, INCLUDING COMMUNICATION CONCERNING PROPOSED BOND RELEASES AND MONITORING OR OTHER PROJECT WORK.

BY COPY HEREOF TO JBR ENVIRONMENTAL CONSULTANTS WE REITERATE THE SAME TO THEM, INCLUDING COMMUNICATION/REVIEW CONCERNING PROPOSED BOND RELEASES AND PROJECT EXPENDITURES. MEANWHILE, WE TRUST THAT THIS LETTER, THE ENCLOSED COURT ORDER, AND THE SPRING SNOWMELT, WHEN COMBINED WITH AN APPLICATION FOR BOND RELEASE, WILL NOW ALLOW DOGM TO RELEASE THE APPROPRIATE PORTION OF THE CD TO JBR IN LIGHT OF THE YEAR END WORK, ETC.

AS ALWAYS, WE GREATLY APPRECIATE THE INVALUABLE COOPERATION BY DOGM AND DWQ, AND LOOK FORWARD TO HEARING FROM YOU.

SINCERELY,
NORTH LILY MINING COMPANY

S. E. FLECHNER, PRESIDENT

W.GENE WEBB, EXECUTIVE VICE PRESIDENT

CC: ROBERT J. BAYER, VICE PRESIDENT
JBR ENVIRONMENTAL CONSULTANTS INC

NORTH LILY MINING COMPANY

Suite 210
1800 Glenarm Place
Denver, CO 80202
Tel: 303.294.0427
Fax: 303.295.2255

RECEIVED
APR 09 2002
DIVISION OF
OIL, GAS AND MINING

2 APRIL 2002

MS. ANN NORMAN
BRANCH MANAGER
WELLS FARGO BANK
(FORMERLY FIRST SECURITY BANK)
95 NORTH MAIN
PAYSON, UTAH 84651
FAX 801-465-4305 PHONE 801-465-1338

DEAR MS NORMAN:

YOUR BANK IS CURRENTLY HOLDING A CERTIFICATE OF DEPOSIT #[redacted] (THE CD) FOR THE BENEFIT OF THE STATE OF UTAH, DIVISION OF OIL, GAS AND MINING (DOGM) AS A FORM OF RECLAMATION SURETY BOND FOR NORTH LILY MINING COMPANY'S TINTIC PROJECT M/023/007 (NEAR SILVER CITY) IN JUAB COUNTY, UTAH (THE PROJECT).

BY LETTER DATED JUNE 12, 2001, THE DIRECTOR OF DOGM AUTHORIZED YOU TO MAKE A PARTIAL RELEASE FROM THE CD TO NORTH LILY FOR COMPLETION OF RECLAMATION WORK, AND INSTRUCTED THAT THE BALANCE OF FUNDS RETAINED IN THE CD SHOULD BE AT LEAST $32,500.

FOLLOWING UP ON OUR LETTER TO YOU OF NOVEMBER 6, 2001, THIS IS TO FORMALLY ADVISE THE BANK AND DOGM THAT NORTH LILY MINING ENTERED INTO AN ARRANGEMENT (AN EXECUTORY CONTRACT) WITH JBR ENVIRONMENTAL CONSULTANTS INC, PROVIDING FOR JBR TO COMPLETE NORTH LILY'S ANTICIPATED (REVEGITATION AND MONITORING) OBLIGATIONS AT THE PROJECT, AND TO RECEIVE THE PROCEEDS OF THE CD (INCLUDING INTEREST) AS AND WHEN APPROVED FOR RELEASE BY DOGM.

THIS THEREFORE IS TO NOTIFY THE BANK, THAT WHENEVER THE BANK RECEIVES AUTHORIZATION FROM DOGM TO RELEASE FUNDS FROM THE CD, THAT THE BANK IS HEREBY DULY AUTHORIZED AND INSTRUCTED BY NORTH LILY MINING COMPANY TO DIRECT SUCH RELEASE OF FUNDS TO THE ORDER OF: JBR ENVIRONMENTAL CONSULTANTS, INC, ATTENTION ROBERT J. BAYER, VICE PRESIDENT, 8160 SOUTH HIGHLAND DRIVE, SANDY, UTAH 84093 (PHONE 801-943-4144 AND FAX 801-942-1852).

AS NOTED IN OUR LETTER TO YOU OF NOVEMBER 6, 2001, NORTH LILY IS CURRENTLY IN CHAPTER 11 REORGANIZATION IN U.S BANKRUPTCY COURT CASE NO 01-23068-EEB IN DENVER, COLORADO. THIS, THEREFORE, IS ALSO TO PROVIDE YOU FOR YOUR FILES WITH THE ENCLOSED COPY OF THE BANKRUPTCY COURT'S "ORDER" OF JANUARY 25, 2002, DULY AUTHORIZING NORTH LILY TO ASSUME ITS EXECUTORY CONTRACT WITH JBR ENVIRONMENTAL CONSULTANTS PURSUANT TO THE ENCLOSED "NOTICE OF MOTION FOR ORDER", WHICH INCLUDES THE ATTACHED "ASSIGNMENT" OF THE PROCEEDS OF THE CD.

PLEASE FEEL FREE TO CALL US AT ANY TIME IF YOU HAVE ANY QUESTIONS. THANK YOU AS ALWAYS FOR YOUR COOPERATION.

SINCERELY,
NORTH LILY MINING COMPANY

S. E. FLECHNER,
PRESIDENT

W. GENE WEBB
EXECUTIVE VICE PRESIDENT

CC: LOWELL P. BRAXTON, DIRECTOR
MARY ANN WRIGHT, ASSOCIATE DIRECTOR
UTAH DIVISON OF OIL, GAS AND MINING

ROBERT J. BAYER, VICE PRESIDENT
JBR ENVIRONMENTAL CONSULTANTS INC

UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF COLORADO

FILED
BRADFORD L. BOLTON, CLERK
JAN 25 2002
U.S. BANKRUPTCY COURT
DISTRICT OF COLORADO

In re:	)	
	)	Case No. 01-23068-EEB
NORTH LILY MINING COMPANY, a Utah corporation,	)	Chapter 11
EIN: 87-0159350	)	
Debtor.	)	
	)	Case No. 01-23069-DEC
XERES TINTIC, LLC,	)	Chapter 11
EIN: 84-1528808	)	
	)	Jointly Administered Under
Debtor.	)	Case No. 23068-EEB

ORDER AUTHORIZING DEBTOR TO ASSUME EXECUTORY CONTRACT WITH JBR ENVIRONMENTAL CONSULTANTS, INC.

THIS MATTER having come before the Court on the Debtors' Motion for Order under 11 U.S.C. § 365 and Fed.R.Bank.P. 6006 Authorizing Debtor to Assume Executory Contract with JBR Environmental Consultants, Inc., notice having been provided and no substantiated objections having been received, cause being shown to the Court for the granting of the requested relief, it is hereby

ORDERED

1. That the Debtor is authorized to assume an executory contract with JBR Environmental Consultants, Inc. which provides for JBR Environmental Consultants, Inc. to continue and complete North Lily's necessary shut down, reclamation and monitoring work for the Project.

2. That the Debtor is authorized to assume the executory contract with JBR Environmental Consultants, Inc. as amended and supplemented under 11 U.S.C. § 365(a).

DONE and entered this 25th day of January, 2002 at Denver, Colorado.

Elizabeth E. Brown

Judge Elizabeth E. Brown
United States Bankruptcy Judge

051422

FILED
BRADFORD L. BOLTON,
CLERK

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO

01 NOV 21 PM 4:58

U.S. BANKRUPTCY COURT
DISTRICT OF COLORADO

IN RE:	)	
	)	Bankruptcy No. 01-23068-EEB
NORTH LILY MINING COMPANY, INC.,	)	
a Utah corporation,	)	Chapter 11
EIN: 87-0159350	)	
	)	
Debtor.	)	M.C. No. KMK-4
	)	
IN RE:	)	
	)	Bankruptcy No. 01-23069-DEC
XERES TINTIC, LLC,	)	
EIN: 84-1528808	)	Chapter 11
	)	Jointly Administered Under
Debtor.	)	Case No. 01-23068-EEB

NOTICE PURSUANT TO LOCAL BANKRUPTCY RULE 202 AND BANKRUPTCY RULE 4001 OF MOTION FOR ORDER UNDER 11 U.S.C. § 365 AND FED. R. BANK. P. 6006 AUTHORIZING DEBTOR TO ASSUME EXECUTORY CONTRACT WITH JBR ENVIRONMENTAL CONSULTANTS, INC.

TO ALL PARTIES IN INTEREST:

NOTICE IS HEREBY GIVEN that the movant named below has applied to this Court or is intending to take action as follows: Debtor has filed its Motion for Assumption of Executory Contract with JBR Environmental Consultants. Once approved, the Agreement provides for JBR to continue to provide environmental consulting services to the Debtors with respect to reclamation of the Debtors' heap leach tailings facility near Silver City, Utah. A copy of the pleading is available for inspection in the Bankruptcy Court Clerk's Office, 721 -19th Street, First Floor, Denver, Colorado 80202, or upon request from the undersigned attorney.

Pursuant to Rule 202 of the Local Rules of Bankruptcy Procedure, if you desire to oppose this action you must file a written objection and request for a hearing with the Court on or before **DECEMBER 14, 2001**, and serve a copy thereof on the undersigned attorney. Objections and requests for hearing shall clearly specify the grounds upon which they are based, including the citation of supporting legal authority, if any. General objections will not be considered by the Court.

In the absence of a timely and substantiated objection and request for hearing by an interested party, the Court may approve or grant the aforementioned application without any further notice to creditors or other interested parties.

Dated: November 21, 2001

Respectfully submitted,

By: _____

Lee M. Kutner, #10966

KUTNER MILLER KEARNS, P.C.
303 E. 17th Avenue
Suite 500
Denver, CO 80203
Telephone: (303) 832-2400
Facsimile: (303) 832-1510
email: lmk@kutnerlaw.com

THIS ASSIGNMENT AGREEMENT IS ENTERED INTO BY NORTH LILY MINING COMPANY (NLMC) AND JBR ENVIRONMENTAL CONSULTANTS, INC (JBR), EFFECTIVE NOVEMBER 6, 2001, IN PERFORMANCE OF THE SERVICES AGREEMENT OF JUNE 22, 2001 BETWEEN THE PARTIES (THE AGREEMENT).

WHEREAS, WELLS FARGO BANK (FORMERLY FIRST SECURITY BANK) IN PAYSON, UTAH (THE BANK) IS PRESENTLY HOLDING CERTIFICATE OF DEPOSIT # [illegible] (THE CD) FOR THE BENEFIT OF THE STATE OF UTAH, DIVISION OF OIL, GAS AND MINING (DOGM) AS A FORM OF RECLAMATION SURETY BOND FOR NLMC'S TINTIC PROJECT M/023/007 (NEAR SILVER CITY) IN JUAB COUNTY, UTAH (THE PROJECT); AND WHEREAS THE CD WAS REDUCED IN JUNE 2001 BY DOGM'S PARTIAL RELEASE OF FUNDS FOR RECLAMATION WORK PERFORMED TO NOT LESS THAN $32,500;

WHEREAS, PURSUANT TO THE AGREEMENT, JBR HAS ADVANCED SERVICES AND FUNDING AND IS CONTINUING TO PROVIDE CRITICAL COMPLIANCE SERVICES IN RELATION TO THE PROJECT, IN EXCHANGE FOR A CASH PAYMENT MADE FROM THE JUNE 2001 CD RELEASE, A PROMISSORY NOTE SECURED BY A LIEN FOR $66,944 RECORDED ON NLMC LAND, AN UNPAID AND UNSECURED CLAIM FOR $11,715 TO BE ASSERTED IN NLMC'S CHAPTER 11 BANKRUPTCY NO. 01-23068-EEB, AND IN CONSIDERATION OF THIS ASSIGNMENT;

NOW, THEREFORE, NLMC DOES HEREBY ASSIGN AND TRANSFER TO JBR THE RIGHTS, INTEREST AND ENTITLEMENT OF NLMC IN AND TO THE PROCEEDS OF THE CD, IN EXCHANGE FOR JBR'S UNDERTAKING TO CONTINUE ONGOING PERFORMANCE AND COMPLETION OF NLMC'S CURRENTLY ANTICIPATED REQUIRED RECLAMATION REVEGETATION, SHUTDOWN AND MONITORING FOR 5 YEARS (INCLUDING MONITORING REQUIREMENTS UNDER AMENDED GROUND WATER DISCHARGE PERMIT UGW230001) FOR THE PROJECT (THE WORK). NLMC DOES HEREBY WARRANT AND AGREE THAT IT HAS NOT AND WILL NOT OTHERWISE ENCUMBER THE RIGHTS TO THE HEREIN ASSIGNED PROCEEDS OF THE CD.

NOTWITHSTANDING THE ABOVE, IT IS UNDERSTOOD AND AGREED THAT IN THE EVENT THAT PROJECT SITE CONDITIONS OR EVENTS RESULT IN ADDITIONAL CLOSURE OR RECLAMATION ACTIVITIES NOT CURRENTLY CONTEMPLATED OR DESCRIBED IN THE RECLAMATION BOND ESTIMATES OR IN THE GROUND WATER DISCHARGE PERMIT MONITORING REQUIREMENTS, THEN SUCH ADDITIONAL WORK SHALL NOT BE PART OF JBR'S UNDERTAKING HEREUNDER. IF IN THE EVENT OF SUCH ADDITIONAL WORK BEING REQUIRED, DOGM DETERMINES TO DEFER ANTICIPATED BOND (CD) RELEASES, THEN JBR SHALL BE ENTITLED TO GIVE NOTICE TO NLMC THAT JBR ELECTS TO SUSPEND PERFORMANCE HEREUNDER AND TO SEEK RELEASE OF FUNDS FROM THE CD (OR AT NLMC'S OPTION, FROM NLMC) FOR UNREIMBURSED WORK AS OF THAT DATE (BASED UPON THE

EXHIBIT D

CD'S ANNUAL COST ALLOCATION). IN THE EVENT OF SUCH SUSPENSION BY JBR, IT WOULD BE DEEMED TO HAVE REASSIGNED (AND UPON NLMC'S REQUEST, JBR FORMALLY WOULD REASSIGN) THE BALANCE OF UNEARNED CD PROCEEDS TO NLMC. IN ANY OF THE ABOVE EVENTS IN THIS PARAGRAPH, JBR WOULD COOPERATE IN GOOD FAITH UPON NLMC'S REQUEST TO RESUME THE INTENDED WORKING ARRANGEMENTS AS SOON AS THE ADDITIONAL ACTIVITIES AND DELAY IN CD RELEASES WERE REASONABLY RESOLVED.

ATTACHED HERETO ARE NLMC'S LETTERS TO THE BANK AND DOGM INSTRUCTING THEM TO RELEASE THE CD FUNDS TO JBR AS SOON AS POSSIBLE UPON COMPLETION OF PROJECT WORK. NLMC WILL MAKE, EXECUTE, AND DELIVER TO JBR WHATEVER ADDITIONAL DOCUMENTS JBR MAY REASONABLY REQUEST TO CONFIRM OR EFFECTUATE THE BENEFIT TO JBR OF THIS ASSIGNMENT. NLMC WILL EXPEDITIOUSLY SEEK (AND UPON RECEIPT IMMEDIATELY PROVIDE) THE REQUISITE APPROVALS HEREOF AND OF THE AGREEMENT FROM THE U.S. BANKRUPTCY COURT FOR THE DISTRICT OF COLORADO IN NLMC'S CHAPTER 11 BANKRUPTCY NO. 01-23068-EEB.

IN WITNESS WHEREOF, THE PARTIES HERETO HAVE EXECUTED THIS ASSIGNMENT AGREEMENT EFFECTIVE NOVEMBER 6, 2001, WHICH AGREEMENT SHALL BE BINDING UPON EACH PARTY'S SUCCESSORS AND ASSIGNS.

NORTH LILY MINING COMPANY

BY _____
S. E. FLECHNER, PRESIDENT

_____
W. GENE WEBB, EXEC. VICE PRES.

ACCEPTED AND AGREED BY JBR ENVIRONMENTAL CONSULTANTS INC

BY: _____
ROBERT J. BAYER, VICE PRES.