Deseret Bank
LEHI OFFICE
99 WEST MAIN
LEHI, UTAH 84043 PHONE 768-8444

February 11, 1988

RECEIVED
FEB 16 1988
DIVISION OF
OIL, GAS & MINING

State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
3 Triad Center, Suite 350
355 West North Temple
Salt Lake City, UT 84180-1203

Gentlemen:

SUBJECT: Stand-by Letter of Credit No. ____
Expiration Date: February 11, 1989

We hereby open our stand-by irrevocable credit in favor of the State of Utah, Department of Natural Resources, Division of Oil, Gas and Mining for the account of Thomas J. Peck and Sons Inc. for the sum or sums not exceeding a total of $15,000.00 available by your draft on us at sight pursuant to a determination under Section 40-8-14(6) U.C.A. that the operation has failed to carry out land reclamation responsibilities.

All demand drafts should bear the following clauses: "Drawn under the Deseret Bank, Lehi Office, Stand-by Letter of Credit Number _____, dated February 11, 1988."

Sincerely,

Stephen S. Swenson

Stephen S. Swenson
Vice President/Manager

NONCOAL
(August 1986)

State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
3 Triad Center, Suite 350
355 West North Temple
Salt Lake City, Utah 84180-1203
(801) 538-5340

COLLATERAL BONDING AND INDEMNITY AGREEMENT

THIS COLLATERAL BONDING AND INDEMNITY AGREEMENT entered into by and between Thomas J. Peck & Sons Inc. (hereinafter referred to as "Operator") and the Utah Division of Oil, Gas and Mining (hereinafter referred to as "Division"),

W I T N E S S E T H

WHEREAS, the Operator has obtained Program Permit No. M/023/011 (hereinafter referred to as "Permit") from the Division to conduct mining and reclamation activities at the Nephi Gypsum Quarry in Juab County, Utah, as a mine under the Utah Mined Land Reclamation Act, Utah Code Annotated, 40-8-1, et seq, 1953, as amended ("Act") and implementing regulations; on the disturbed areas designated in Exhibit A; and

WHEREAS, the Operator wishes to obtain a bond under 40-8-14(3); and

WHEREAS, the Operator has provided a(n) Stand-by Letter of Credit issued by Deseret Bank - Lehi Office (Exhibit B), naming the Division as Beneficiary, as collateral to secure this Collateral Bonding and Indemnity Agreement; and

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, the Operator does hereby agree to be held and firmly bonds to the Division for the sum of Fifteen Thousand (15,000. year dollars) for the timely performance of reclamation responsibilities for Permit No. M/023/011 in lawful money of the United States. By the submission of this Letter of Credit (form of collateral will and truly binds itself, its successors and assigns, jointly and severally, by the conditions of this Agreement.

The conditions of the above obligations are such that:

1. The Operator shall perform all duties and fulfill all requirements applicable to mining and reclamation as set forth in the Act, and regulations adopted pursuant to the Act and the conditions of Permit No. M/023/011 issued by the Division.

2. The liability under this Agreement is conditioned upon successful reclamation of the permit area as provided in the Mining and Reclamation Plan for Permit No. M/023/011. for a period of time and in the manner specified in the Act and regulations adopted pursuant thereto as amended from time to time, and the conditions set forth in Permit No. M/023/011 issued by the Division.

3. The Operator does hereby jointly and severally agree to indemnify and hold the Division harmless from any claim, demand, liability, cost, charge or suit brought by a third party, as a result of the Operator's failure to abide by the term and conditions of the Mining and Reclamation Plan as set forth in Permit No. M/023/011 and from any failure to comply with the terms of this Agreement.

4. Upon successful completion of part or all of the obligations secured hereby, the Operator may petition the Division for a final release of part or all of the obligations under this Agreement. Upon such petition, the Division shall timely conduct an inspection to ascertain whether the duties and obligations of Thomas J. Peck & Sons Inc. under the Act, regulations adopted pursuant thereto and Permit No. M/023/011 have been fulfilled. If such duties and obligations have been fulfilled, the Division shall release the Operator from part or all of its obligations under this Agreement and shall file notice of such release of collateral held by the Division.

5. This agreement shall be reviewed periodically by the Division, or reviewed upon petition by the Operator, in accordance with the Act and implementing regulations and

the amount of liability under this agreement may be adjusted upon written agreement between the Operator and the Division where it is clearly established that the cost of future reclamation has materially changed.

6. This Agreement may be terminated upon ninety (90) days prior written notice to the Division if terminated by the Operator or upon ninety (90) days written notice to the Operator if terminated by the Division. Upon such written notification, the Operator will have ninety (90) days to obtain an alternate form of bond to secure reclamation obligations for Permit No. M/023/011 in the same amount as stated in this Agreement or amendments thereto.

7. Failure to provide a satisfactory alternative form of bond will result in the complete cessation of all mining operations and the complete reclamation of all disturbed areas within the Nephi Gypsum Mine permit area.

8. Any breach of the provisions of paragraph #8 of this Agreement will result in the payment of $15,000. (bond amount) liquidated damages to the Division.

9. This Agreement will be governed and interpreted according to Utah law.

SO AGREED this 24th day of February, 1988.

X Tom Peck

By V. Pres.
Corporate Officer - Position

STATE OF UTAH, DEPARTMENT OF
NATURAL RESOURCES, BOARD OF
OIL, GAS AND MINING

By
Gregory P. Williams, Esq.
Chairman, Board of
Oil, Gas and Mining

APPROVED AS TO FORM:

Assistant Attorney General

STATE OF Utah)
) ss:
COUNTY OF Utah)

On the 24th day of February, 1988, personally appeared before me Tom Peck and _____ who being by me duly sworn did say that he/she, the said Tom Peck _____ is the Vice President of Thomas J. Peck & Sons Inc. and said instrument was signed in behalf of said corporation by authority of its bylaws or a resolution of its board of directors and said Tom Peck and _____ duly acknowledged to me that said corporation executed the same.

Stephen S Swenson
Notary Public
Residing at: Lehi, Utah

My Commission Expires: 8-15-91

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

On the 4th day of May, 1988, personally appeared before me Gregory P. Williams, Esq. who being by me duly sworn did say for himself, that he, the said Gregory P. Williams, Esq. is the Chairman of the Board of Oil, Gas and Mining, Department of Natural Resources, state of Utah, and she duly acknowledged to me that said Division executed the foregoing document by authority of law on behalf of the state of Utah.

Marjorie L. Anderson
Notary Public
Residing at: SLC, Utah

My Commission Expires:

July 24, 1989

Exhibit A

Nephi Gypsum Quarry

Legal Description:

Portions of the SE of the NE Quarter and the NE of the SE Quarter of Section 3, Township 13 South, Range 1 East, SLBM

Note: See Attachment F of the Notice of Intention to Commence Mining and Reclamation Plan, M/023/011, dated January 14, 1988 for a more detailed description of the areas to be reclaimed.