State of Utah

Department of Natural Resources

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Division of Oil, Gas & Mining

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August 13, 2004

Robert Steele
1055 North 400 East
Nephi, Utah 84648

Subject: Bond Status, HiCal #1 Mine, M/023/071, Juab County, Utah

Dear Mr. Steele:

On August 9, 2004, we met with you in the Division offices to discuss the bond situation for the HiCal #1 Mine site. You stated the bond was hopefully to be supplemented by money from the release of BEG Incorporated's, Travertine #1 mine. You stated the Travertine site was ready for release, both from a vegetation and regrading standpoint. It was agreed during that meeting that a Transitional bond of $20,000 will need to be in place by August 27, 2004 or a Cessation Order would be issued for the HiCal #1 Mine. We informed you that it might be difficult to get the money released from Travertine #1 in time to meet this time commitment. The Division was willing to try to expedite the process and inspected Travertine #1 the same day.

In the afternoon of August 9, 2004, Paul Baker and Tom Munson made a site visit to the Travertine #1 site. Although the regrading was well done, the revegetation has not proven successful according to Mr. Baker, the Division's Biologist. As a result of this inspection, it was determined that the Division would ask for the site to be ripped and reseeded in late fall. You felt that the grasses were coming along and that re-ripping the site was not the best alternative since it would destroy what was there. You also mentioned that the site was originally mostly rock outcrop, which was not accounted for in the original permit. You also felt that the site should be granted some compensation for not having any vegetation on the rock outcrop.

Unfortunately, with no photos of the original site on file, the Division is unable to grant this variance until either yourself or Mr. Burningham provide adequate documentation. The original permit did not contemplate a variance and actually stated that mulch of some sort would be required to amend the soil. This was never carried out by BEG Resources during the site reclamation. The site was seeded twice; the first time was unfortunately in the late spring during the drought

year of 2002, and the second time was mid to late winter of 2003 over soil which had not been ripped. Neither of these seeding opportunities are considered ideal by the Division.

The Travertine #1 mine site is located on federal land managed by the Bureau of Land Management (BLM) and, as such, a request for release needs to be submitted to the BLM as well as to the Division. We have communicated with the BLM and have been informed that a request was received. The BLM will review this request and once their concurrence is received the Division will release appropriate money. Be aware that this might not happen before the August 27, 2004 deadline for posting bond at the HiCal #1 Mine.

Mr. Baker and Mr. Munson felt that the regrading was well done and could be released, but the revegetation would need to be redone if it is to be successful. Therefore, the Division is willing to release $11,400, contingent upon the BLM's concurrence, but needs to hold the remainder of $3,700 until the revegetation is complete. Annual fees will also be due until the site is released.

If you have any questions or further concerns regarding this letter, please contact me at (801) 538-5325.

Sincerely,

Daron R. Haddock

Daron R. Haddock
Permit Supervisor
Minerals Regulatory Program

DRH:TM:jb
cc: Rex Rowley, BLM, Fillmore FO
Gary Burningham, BEG Resources
Travertine #1 file – M/023/042
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