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/025/021
cc: ~~Bond~~ file ✓
Beth
Daron

February 2, 2006

CERTIFIED MAIL 7160 3901 9842 9870 7920

Bruce H. Hansen
P.O. Box 341
Kanab, Utah 84741

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: Time Deposit
Amount: $5000
Account No.:
Issued By: First Security, 4th South. Metro Branch
Date Issued: 12/17/1996
Mineral Lease No.: ML 47138 (47957 Exp.)
DOGM No.: S/025/021

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